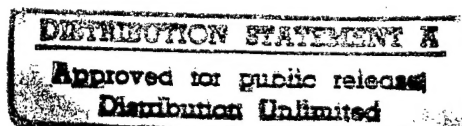


# ***JPRS Report***

## **Soviet Union**

### ***International Affairs***



19980112 182

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# Soviet Union

## International Affairs

JPRS-UIA-91-016

### CONTENTS

3 September 1991

#### WORLDWIDE TOPICS

Lithuania's Foreign Policy Issues Viewed [R. Bogdanas; LIETUVOS AIDAS, 5 Jun 91] .....	1
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#### GENERAL ECONOMIC AFFAIRS

OECD Official on USSR's Integration in World Economy [S. Zecchini; IZVESTIYA, 13 Aug 91] .....	3
Origins of Soviet Foreign Debt Explained [E. Guseynov; IZVESTIYA, 20 Jul 91] .....	6
Foreign Trade Administrative Structure Blamed for Export Problems [S. Panasenkov; ROSSIYSKAYA GAZETA, 1 Aug 91] .....	7
Benefit to USSR of IMF, IBRD Association [N. Shevtsov; TRUD, 26 Jul 91] .....	9
Georgian Ministry Official on Foreign Economic Ties [V. Chechelashvili; KURANTY, 31 Jul 91] .....	11
Joint Venture Director Describes Legal Obstacles to Business [B. Fridman; DELOVOY MIR No 2, Jul 91] .....	13
Financing of Joint Ventures Examined [L.A. Voronina; FINANSY SSSR No 6, Jun 91] .....	14
Joint Venture Helps Soviets Find Work Abroad [K. Isakov; NOVOYE VREMYA No 28, Jul 91] .....	18
'New Version' of ANT Tank Sale Presented [Ye. Boshnyakov; KURANTY, 29 Jun 91] .....	21
Creation of Forum for Entrepreneurs Considered [Ye. Vasilchenko; ROSSIYSKAYA GAZETA, 7 Aug 91] .....	23
Association Promotes Economic Contacts With Arab Countries [Yu. Popov; DELOVOY MIR, 18 Jul 91] .....	23
Lessons For USSR From Brazilian Indexation Experiments [M. Kozhukhov; IZVESTIYA, 30 Jul 91] ...	24
French Paper Cited on USSR Sale of Natural Resources [SELSKAYA ZHIZN, 7 Aug 91] .....	26
Soviet Ships Sequestered In Italy For Lack Of Funds [M. Ilinskiy; IZVESTIYA, 19 Jul 91] .....	27
Customs Violations On Soviet-Romanian Border [S. Kozlov; ARGUMENTY I FAKTY No 28, Jul 91] ..	28
Spanish Brick Factory Begins Operation [TRUD, 6 Aug 91] .....	29
Kyrgyz Law on Foreign Economic Activities .....	30
Text of Law [SLOVO KYRGYZSTANA, 17 May 91] .....	30
Decree on Implementation of Law [SLOVO KRYGZYSTANA, 17 May 91] .....	33

#### WEST EUROPE

Turkish Prime Minister on Relations With USSR [M. Yilmaz; SELSKAYA ZHIZN, 14 Aug 91] .....	34
--	----

#### EAST EUROPE

New Financial Arrangements With East European Partners Needed [M. Lyubskiy; DELOVOY MIR, 16 Jul 91] .....	35
--	----

#### CHINA, EAST ASIA

Sino-Soviet Cooperation Said To Advance Strategic Interests [A. Bovin; MOSCOW NEWS No 20, 19-26 May 91] .....	37
Expanding Trade Relations with China Viewed [B. Averchenko, B. Barakhta et al; PRAVDA, 19 Jul 91] .....	37
Chinese Trade Union Delegation Visits Kuzbass [Ye. Peretolchina; TRUD, 30 Jul 91] .....	41
Passport Shortage Delays Cross-Border Trade With China [ROSSIYSKAYA GAZETA, 30 Jul 91] .....	41

#### NEAR EAST & SOUTH ASIA

Foundation, Prospects for Soviet-Indian Relations Examined [T.N. Kaul; PRAVDA, 9 Aug 91] .....	42
Israeli Consul General in Moscow on Immigration, Ties with USSR [A. Levin; OGONEK No 22, 25 May-01 Jun 91] .....	44

### Lithuania's Foreign Policy Issues Viewed

91UN2114A Vilnius LIETUVOS AIDAS in Lithuanian  
5 Jun 91 p 6

[Interview with Ramunas Bogdanas, chief counselor to the chairman of the Supreme Council, by Vigilius Savickas: "At the Same Table with President Bush"]

#### [Text] America

[Savickas] Recently you and the chairman [Landsbergis] visited America where, along with other representatives of the Baltic states, you sat at the same table with President Bush in the White House. What are your impressions from the White House? How do they see Lithuania now?

[Bogdanas] The reception was far more elegant than last December's. In the meeting the whole leadership of the White House took part: Head of Staff Sununu; National Security Advisor B. Scowcroft; and Secretary of State J. Baker. The most active in the meeting were Baker and Bush.

[Savickas] I believe it was then that Baker pulled out a phrase from K. Prunskiene's trip about the necessity "to help Gorbachev save face." Has America's earlier position stayed the same or is it nevertheless changing?

[Bogdanas] I think it is changing. This time during the meeting almost the whole time was spent on the problems of the Baltic states and not about the general situation in the Soviet Union. This was a meeting with regional Baltic representatives. Questions dealing with the Soviet Union were discussed, it seems, during previous evenings with Shevardnadze. It was obvious from Baker's attitude that he supports us very much; and it was evident from his actions too. That phrase became an introduction offering to search for still another sort of avenue. However, it was altogether clear to him that we were seeking negotiations and that the Kremlin was avoiding them. According to his thinking, a search has to be made for some as of yet untried possibilities to prompt Moscow to sit down at the negotiating table. The leadership of the United States assured us that from their side they will do all that they can. However, it is clear that America's opportunities are limited.

[Savickas] America's opportunities—diplomacy?

[Bogdanas] Only diplomacy! At the time Congress was debating granting credits to the Soviet Union to buy grain. This is not just a question about money. And it is an indication of a diplomatic struggle in the economy because according to whether or not credits are granted, one can gauge the views of America's leadership about Gorbachev's policies and Gorbachev himself. Until now those credits (\$1.5 billion) have not been granted. In this area America has its own problems. If they do not sell the grain, for example, Kansas farmers (and Dole is from Kansas as well as being the Minority Leader in Congress) will have no place to put it. If the grain is bought by those who cannot pay for it, then America's tax payers will

have to pay the Kansas farmers. So, here American internal politics is having a tug.

[Savickas] Fantastic! Americans have to support the Soviet Union?

[Bogdanas] An unusual aspect of the trip was America's great interest in the visit. If last time there were more meetings with emigree Lithuanians, then this time there were more with other Americans. In Chicago and Washington we met with representatives of American Jewish organizations. It was clear that those who have tried to pour dirt on the relations between us and the Jews have been unsuccessful. They can distinguish the grain from the chaff. We and they agree that there were bad things in the past; however, all can be righted if we agree to be flexible with each other.

Apart from that there were meetings with representatives of business. We could not offer them anything special, but Chairman Landsbergis invited them to come and investigate our conditions and not listen just to third hand renditions about "the situation in Lithuania." He invited them to come themselves and bring along experts who could study the business conditions and opportunities right there and then.

Attention from the press was also great. In Chicago we devoted the whole day for the press; in Washington we met with journalists from the biggest American newspapers; and in Los Angeles with the publishers of one of the biggest newspapers in the world, THE LOS ANGELES TIMES. America is a country where the means of mass communication shapes society's and government's regulations. That is why, I think, there was great headway made in this area.

From our meeting with Bush the conclusion can be made that the administration's view is changing. Maybe slower than we would want—since it depends on many circumstances on which America depends—but it is changing and favorably for us.

#### Scandinavia

[Savickas] How would you value Lithuania's policies toward Scandinavia? This is not a casual question. In Norway and in other northern countries opponents are trying to belittle Lithuania's attempts at consolidating independence.

[Bogdanas] Where Lithuania is successful, there Lithuania finds support. Those who do not wish us good fortune, they try to hinder us, to dirty the waters.

[Savickas] Isn't that sometimes done at the hands of our own Lithuanians? Putting aside the naive notion that there are various kinds of Lithuanians, we certainly can say that we sometimes obstruct ourselves unintentionally.

[Bogdanas] A Lithuanian is a Lithuanian and no more. But we are forming a country of citizens for all nationalities living in Lithuania. With the growth of self-dependence, we are obliged to grow as citizens. It is possible that some poke sticks into the spokes intentionally, and some unconsciously, but the results are the same. So, the chairman returns from an extended journey across the USA and finds staged a disturbing spectacle. But not all those participating can see that behind it all there hides just one director. During such difficult years as these it is necessary to think not just about the motives of one's actions but also about the possible consequences.

[Savickas] Does the support of the northern governments remain as it was?

[Bogdanas] The new government in Norway is not as favorable as the last one. As Gorbachev's visit to Norway and Sweden neared, an anti-Lithuanian campaign very clearly began to increase.

[Savickas] Namely?

[Bogdanas] They are trying to show that Lithuanians are dictators, that they oppress Russians and are forcing them to learn Lithuanian, that they oppress Poles—in other words, that we are nationalists. And usually that stuff is “pushed out” not in the most important newspapers. That is why its true meaning is understood in other places such as governmental offices. I doubt that will greatly affect public opinion, but it does create problems. This becomes clear when you think about how large the Soviet Ministry of Foreign Affairs is, how many people permanently work abroad, and how much money is spent for this work. And we, during our two week visit to America, in presenting information had to purge it of what our opponents are disseminating there everyday.

### Opportunities

[Savickas] Do we have money so we can station people abroad permanently who would neutralize anti-Lithuanian propaganda?

[Bogdanas] We do not have the money. However, we do have money to travel to the West. We have to make ourselves known. For one thing, they print our opinions in the newspapers over there, but it is altogether different in the West to hear words live from the lips of such famous people like Landsbergis. It makes a totally different impression. That is why if we want to maintain our travels abroad, it is not a luxury. And I want to emphasize equally that we cannot by any means forget the politics of the East. We have to work there also.

[Savickas] So, often what we do in the West is specifically undermined. Meanwhile, our East politics are not intentionally damaged by Western countries.

[Bogdanas] We cannot cut Lithuanian politics into two parts. What we do in the West has repercussions in the East, and vice versa. And if someone “notifies” our diplomatic steps, then TASS will twist it in its reports, which means we hit the mark.

[Savickas] What trips do you foresee in the near future?

[Bogdanas] During the second half of June, the chairman plans to visit France.

[Savickas] So, journies are taking place in all directions. These periodic movements “to travel most of all only to the East,” seem to be repeated for propaganda purposes?

[Bogdanas] I think that we profit by travelling everywhere: to places where we can find support and understanding for our efforts, and to places where we have to explain who we are and what we are creating. We have to remind them that we exist. In Eritrea the decades old war has been going on for a long time and only now do we remember it. One of the better known American journalists, Safire, wrote that the peace prize should go to Landsbergis. That is the USA. There politics functions through the press which can support or dethrone. Now Gorbachev is going to Oslo. And they shelter him—Norwegian journalists are not allowed in Lithuania. So, somebody from here has to go there and say, as Til Ulenspiegel did: “Ashes knock at the heart.”



**OECD Official on USSR's Integration in World Economy**

91UF1077A Moscow IZVESTIYA in Russian 13 Aug 91  
Union Edition pp 1, 7

[Interview with Salvatore Zecchini, deputy general secretary of the OECD and director of the Center for Cooperation With European Countries With a Transitional Economy, by correspondent Yu. Kovalenko; place and date not given: "The USSR Is Returning to the World Economy"]

[Text] Paris—[Kovalenko] How does the OECD, which unites the 24 most advanced states and is an intellectual center of the Western world, evaluate the results of the London meeting of the "Seven?"

[Zecchini] I believe that its results were positive in several respects. First and foremost, President Mikhail Gorbachev declared with all due certainty the intention to transform the Soviet economic system, not engage in a search for some third way which is mid-way between a centralized and a market economy. Further, for their part, the leaders of the leading industrial countries undertook to support radical restructuring in order to create the foundations for Soviet people's future well-being. Finally, they recognized the important role of the OECD together with other international institutions in an evaluation of the economic problems confronting your country and instructed them to devise methods of solving them.

[Kovalenko] Can it be said that the integration of the Soviet economy in the Western economy was initiated?

[Zecchini] I believe that the USSR will begin to participate as a full member in the process of all-European economic development, and in this sense your country is returning to "common history," which has various parameters. The restructuring of the economic system is a manifestation that Soviet society is gradually opening up. This is the start of integration in the world community not only economically but politically and socially also.

[Kovalenko] The decisions adopted in London are aimed at assisting this integration. They provide, specifically, for use of the OECD's experience and its assistance in privatization and price reform. Of what, specifically, will your assistance and participation consist?

[Zecchini] The OECD deals with all economic matters, except those connected with the military sphere. In the next few days we will complete the elaboration of a program designed to assist the economic reforms in your country and also assist in the management of the entire economic mechanism. We will discuss this program with the Soviet side, which must itself determine the priorities and bear full responsibility for the decisions adopted. I have always emphasized that no reform will be successful in any country unless it enjoys the support of its leaders and population. And it is on the basis of

these priorities that we will prepare specific actions aimed at a single goal—creation of the foundations for future progress.

[Kovalenko] How would you yourself emphasize our priorities?

[Zecchini] It is essential, from my viewpoint, to concentrate efforts on the relationship of reforms of the current economic structures and satisfaction of the most urgent domestic requirements. In other words, I refer to the relationship between structural transformations and stabilization of the market. I consider necessary primarily the elaboration of legislation for the creation of the institutions of the market system—banks, financial markets, property title, competition and privatization. Further, the elaboration of programs pertaining to various sectors—power engineering, telecommunications, the supply system and so forth. Finally, it is important to know how to control all these institutions—by a banking system in which the central bank is separated from the commercial banks. Correct advice and recommendations are needed in respect to how to pursue monetary and fiscal policy, how to collect taxes and what kind of tax administration should be created. These are just a few examples from the spheres in which we could be of assistance. But, I repeat: the priorities must be determined not in Paris but in Moscow. We do not wish to impose on you anything.

[Kovalenko] While in Moscow, President George Bush announced that the Soviet Union would be accorded most-favored-nation status in trade. What will this mean in practice?

[Zecchini] This will, once again, permit your country's speediest integration in the world economic system, but for this, I stress once more, the Soviet economy must be of an open nature. This is not the case as yet. There remains a multitude of barriers, restrictions and obstacles, which are impeding full interaction between the productive sector and the system of distribution in the USSR and enterprises of the rest of the world. You must recognize that integration is not a one-way street. It requires the adoption of measures by both sides in order that this process move rapidly.

[Kovalenko] And what barriers should be eliminated, from your viewpoint?

[Zecchini] It is necessary primarily to remove the strict control of decisions connected with production at enterprise level. In addition, various restrictions connected with currency transactions and convertibility of the ruble preventing Soviet enterprises gaining access to foreign currency. It is necessary to establish on the domestic market common prices for one and the same commodity—they vary completely in your country currently.... All these points are preventing the Soviet Union from becoming a full-fledged partner in the world economy.

[Kovalenko] Our country will participate in the IMF and the World Bank as an associate member. Inasmuch as

you were for several years a director of the IMF, I would like to know your opinion on what membership of these organizations will do for our country.

[Zecchini] Entry into these organizations as an associate member is important in many respects. It will enable the USSR to gain access to a number of key assistance programs and not assume here all the obligations that are imposed by full-member status. These obligations presuppose the accomplishment of radical changes as quickly as possible—introduction of a convertible currency, liberalization of checking account payments and the free movement of capital. But associate-member status affords an opportunity for doing all this gradually.

[Kovalenko] But, in any event, we will have to abide strictly by the rules, which will be imposed or dictated by the IMF to a certain extent?

[Zecchini] The IMF imposes nothing. Countries join the IMF by appending their signature to the agreement and accepting the operating methods and aims of this organization. There are for all members of the IMF, of course, certain rules to which states must submit. They recognize that the aims of the IMF are their aims corresponding to their own economic interests and understand that compliance with particular rules is a guarantee of these countries' successful development. I would note that all 24 members of the OECD are members of the IMF and derive much benefit for themselves from the rules and discipline which they have established.

[Kovalenko] Does this mean that we will obtain more credit along IMF lines?

[Zecchini] I would approach this question differently. Membership in the IMF will enable the country to create the conditions for the attraction of the necessary capital for financing not only via official channels but also—and this is most essential—from the private sector. And it is the private sector which is mainly in a position to finance the development of any economy, the Soviet economy included.

[Kovalenko] Certain Western economists believe that our main problem now is the catastrophic financial situation. What, in your view, are the paths of financial recovery?

[Zecchini] I do not think so. The main weakness of your economy are the numerous deviations and violations, which have profoundly affected its whole fabric. These are, specifically, as I have said, the different prices for one and the same commodity, the incapacity of the economic system for increasing productivity, lack of competitiveness on the world market, nonconvertibility of the ruble and the rapid erosion of its purchasing power. The financial problems merely reflect the fundamental weaknesses of your economy. The financial imbalance could be righted, of course, by way of direct intervention, as certain countries with a centralized economy attempted to do in the past. But experience has

shown that success can only be achieved thus for one or two years. Then the weaknesses appear once more and a financial crisis arises. In other words, order cannot be brought to finances without the preliminary elimination of the flaws in the economic system itself.

[Kovalenko] A law on foreign investments was enacted in our country recently. IZVESTIYA wrote that hence forward the Soviet Union had opened the doors to foreign capital. How do you evaluate this law, and will Western firms take the risk connected with capital deposits in our economy?

[Zecchini] This was a correct step in the right direction, but it was only the first step; it alone is insufficient. An influx of foreign capital will depend not just on the enactment of some law but on the totality of conditions for doing business and engaging in activity enabling an enterprise to make a profit. Such conditions have not yet been created in your country. And you should not delude yourselves into thinking that a law which provides certain privileges for capital investments will in itself ensure the strong influx of foreign investments. Many other conditions are needed for the formation of a favorable climate which makes it possible to engage successfully in entrepreneurial activity. It is essential to create a well-functioning market for the sale of commodities and to open up the whole economy to competition. Only after this may a considerable influx of capital be expected.

[Kovalenko] But will it be possible to successfully implement reforms in the USSR without considerable Western investments?

[Zecchini] Implementation of the reforms could be started without foreign capital if the necessary institutional structures are created in the country. If there are such, foreign capital will enter the country almost automatically for there will be good opportunities for investments and for making a profit on the Soviet market. But nor should it be forgotten that capital looks for countries where it can make the most profit. There is sharp competition to attract capital all over the world. The countries which create the best conditions for investments will obtain such first and foremost. But it would be unreasonable to suppose that official loans and credit and government capital could resolve the problems confronting the USSR. They may be a supplement, but it is the private sector which should form the nucleus of the capital which your country needs. You need private savings and capital, primarily of Soviet people themselves and only then of the rest of the world.

[Kovalenko] According to the decisions adopted in London, the West intends to increase assistance to the Soviet Union in such most important sectors as power engineering, transport, food distribution, conversion and nuclear safety. Is some common program with the participation of the OECD being drawn up here or will each country of the "Seven" operate in isolation?

[Zecchini] It was the OECD in a study conducted in conjunction with other institutions (it was carried out in the spring of 1991—Yu.K.) which defined these five sectors. We could make available expert advice and technical assistance in the implementation of a whole number of measures in these fields. We are ready to prepare specific plans, but they must be implemented together with the Soviet Government. We could explain various approaches to various problems and train specialists for the management of new institutions or individual areas of the economy. We could conduct a forum for discussion of all these questions with the participation of Soviet experts and the best specialists for management of the new institutions or individual areas of the economy. What we are not in a position to do, naturally, is undertake financing.

[Kovalenko] Francois Mitterrand's proposal concerning the lifting of restrictions on the USSR being granted credit along European Bank for Reconstruction and Development (EBRD) lines was not supported at the London meeting on the part of the United States and Japan and was blocked. This means that we can obtain only \$200 million over five years. A financial drop in the ocean of our needs. And EBRD President Jacques Attali has complained that he does not have the necessary resources...

[Zecchini] I am not sure that this is a final decision... Each financial institution, the EBRD included, has a financing mandate for the accomplishment of particular projects and the fulfillment of certain reforms. But I repeat once again: A favorable environment must be created prior to the inflow of capital into the USSR. The investments will come later.

[Kovalenko] You are familiar with the program of the Soviet economy's transition to the market which was presented to the "Seven" by M.S. Gorbachev. What is your analysis?

[Zecchini] It contains many good intentions, but what is important is not intention but specific action. It is necessary to implement such most important measures as defense of the right to private property, liberalization of prices and trade, considerable privatization and the creation of effective financial structures and a labor market also. If this critical mass of measures is reached, the program should, in my view, be evaluated positively. Otherwise you will be, as before, at the level of words, not deeds.

[Kovalenko] The OECD is known for its shrewd economic forecasts—long-term and short-term. How does the future of the Soviet economy on the paths of transition to the market appear to you?

[Zecchini] Within the framework of the analysis of the Soviet economy which we conducted we compiled a medium-term forecast. But we lack a whole series of data for a full evaluation of its chances of success. We cannot, therefore, in respect to the USSR apply the methodology which we employ when analyzing the situation in

Western countries. By virtue of this, we are capable of making only a very short-term forecast. Of course, the situation in the Soviet economy cannot be called satisfactory. We consider exceptionally important the prevention of a further deterioration and the arresting of the slide into the abyss. In order to begin important changes it is necessary to halt the crisis. But for this there should under no circumstances be a return to the former system, which has proven its bankruptcy.

[Kovalenko] The reforms are, as you know, having to be implemented in a tense social atmosphere. Soviet people are terribly tired of the endless difficulties and no longer care to wait for the shining future which will come in 20, 30 or 50 years time. They want to see some ray of hope today...

[Zecchini] People must recognize that they are making sacrifices for their own sake, not for the sake of some incomprehensible and unfathomable goal. And the time-frame of transition to the market will depend on the speed at which the reforms of the current institutions are implemented and also on the speed of reaction of all participants in the economic process—people, enterprises and the authorities themselves—and their ability to adapt to the new climate of economic liberalization. The development of any economy depends primarily on the initiative of each citizen, firm or company and on their interaction in an environment wherein initiative may be realized and defended and may compete in an open market. Prosperity in a country cannot be secured by a state sector which provides for an insurance system for everyone and thereby encourages the general lack of responsibility of the subjects operating in the economy. There have to be rules and also rewards and punishments. And the market could be a principal instrument in their distribution. The appropriate level of competition between people and enterprises, which want to make the maximum profits from their efficiency and from what they do, is essential.

[Kovalenko] In a word, transition to the market is not only the concern of the authorities but of each member of society also?

[Zecchini] Yes, this is the heart of it. And this is hard for Soviet people, who for 70 years have been told what needs to be done, to understand. Now, however, they will have to do everything independently, but for this they need complete freedom of expression via their economic initiative. If there are too many barriers and restrictions on this path, it cannot be expected that the market economy will develop in your country. And this is a principal lesson of the cautious changes which were implemented in the Soviet Union in 1987, when certain freedoms were accorded to the enterprises, but which proved too negligible for real advantage to be taken of them.

### Origins of Soviet Foreign Debt Explained

91UF1028A Moscow IZVESTIYA in Russian 20 Jul 91  
p 3

[Article by E. Guseynov: "Is There Room For Maneuvering?"]

[Text]"At the end of 1990 the Soviet Union joined the ranks of countries in need of international aid." In this manner one of the Soviet economic observers in a generally calm and melancholy way recorded a fact that has long ago ceased being a secret to the initiated. The essence of this fact is that a state which covers one sixth of the dry land mass, is endowed with an awesome abundance of every conceivable natural resource and is populated by 500 million citizens finds itself on the verge of international bankruptcy.

The year 1990 was the second of unprofitable foreign trade for our country. As early as in 1988 great streams of petroleum, gas, timber, gold, ores, and metals which flowed from the USSR throughout the world made it possible not only to compensate for purchases of commodities needed by the country, but also created a small annual surplus.

In 1989 imports for the first time in recent decades exceeded exports by 5.4 billion dollars. In 1990 the negative balance of foreign trade tripled. In other words, the country sold less commodities than it purchased by some 9.8 billion rubles, or by 15 billion dollars at the official rate of exchange (1 dollar - 0.6 rubles). There was also a general decrease in commodity turnover in foreign trade amounting to 6.5 percent.

A purely external, and therefore seemingly the principal cause of the decrease in the volume of exports is the drop in prices for oil and certain other types of raw material. The share of these commodities in Soviet exports exceeds 40 percent. After a drastic decline in oil prices on world markets in 1986, however, the vulnerability of such a structure of trade was revealed. As a result, in just five years of the Twelve-Year Plan losses of the USSR from deterioration in trade conditions amounted to around 56 billion rubles (90 billion dollars), while in 1990 they came to 11.2 billion rubles (around 18 billion dollars).

The menacing decrease in extraction of petroleum in the USSR in recent years came on top of the drop in prices for raw materials. The volume of such extraction shrank from 640 million tons in 1988 to 570 million tons in 1990. This year that decrease will be even more significant. As a result plans for delivery of petroleum for export have not been fulfilled in 1990 while in the current year even according to state plans there will be a two-fold decrease in sales of Soviet oil, from 120 to 70 million tons.

The limited category of products the export of which from the USSR continued to grow last year consisted of durable consumer goods. According to specialists of the

All-Union Scientific Research Institute of Market Conditions, however, the effectiveness of the export of Soviet oil is seven times higher than the export of cars, 11 times higher than export of electronic clocks, and 17 times higher than the export of photographic cameras. Similar indexes, even though on a smaller scale, are characteristic of many other types of domestic raw materials.

Inasmuch as we sell our oil at world prices, it is clear that Soviet durable consumer goods are sold abroad at dumping prices. A single goal is pursued in this—to obtain foreign currency at any price.

As of the spring of last year the Soviet Union is experiencing a chronic shortage of freely convertible currency to pay for imports and cover foreign debt.

Today the Soviet economy cannot survive without importing a vast amount of goods. We are primarily speaking of consumer goods and food. The share of imports in their consumption fluctuates between 95 and 10 percent. Up to 40 percent of raw materials and materials for light industry, particularly wool, dyes, and lacquers are also imported.

The bulk of these imports are not something absolutely necessary and natural. The importation of fruit and grain, meat and butter, as well as wool is the direct result of the many years of ruinous activity of our paradoxical economy, for we are talking about commodities which the Soviet Union can produce itself.

In order to cover the foreign trade deficit just in 1990 it was necessary to find around 15 billion dollars. The point is that beside this sum the Soviet Union also had to make regular payments on the existing foreign indebtedness, including interest on debts. In 1990 such payments were to come to 6.2 billion rubles or around 10 billion dollars. In this manner the overall amount of the deficit in the country's balance of payments in 1990 was to have reached the figure of 25 billion dollars.

There was only one solution—to borrow money, to obtain credit. And that was done—with a vengeance.

This is how the growth dynamics of the Soviet foreign debt appeared in recent years. According to foreign sources in 1985 it came to about five billion dollars while at the same time the USSR had a positive balance of payments and around 10-15 billion dollars in Western banks as the country's foreign currency reserve. By the end of 1989 the amount of the foreign debt of the USSR, according to Austrian banks, was 52.4 billion dollars. While toward the end of 1990, according to the General Director of the Austrian Control Bank, Helmut Hashek, the indebtedness of the USSR to the West rose to 68.8 billion dollars. After this report, which appeared at the end of 1990, our country received a series of additional credits, so that this sum has grown even more.

A notable fact: 75-80 percent of the loans, obtained by the USSR in 1990 were used not to purchase goods and



services but to finance already existing debts. At the same time the foreign currency deposits of the USSR in Western banks were exhausted to a great degree. In this practice we see the clear outlines of "the Latin American variant" of the progressive rise in debt directed at the repayment of previously obtained credits.

Now let us remember that in 1991 payments on debts will rise to nine billion foreign currency rubles (14 billion dollars). The trade balance deficit will also apparently grow.

Unfortunately there is no official data on the movement of the country's gold reserves. Calculations by authoritative experts of the Unified Swiss Bank, however, indicate that since 1986 there has been an absolute decrease in USSR state gold reserves: sales abroad and domestic requirements during 1986-1990 exceeded volumes of extraction by about 280 tons.

Under these conditions it is hardly possible to attract commercial credit from abroad. The point is that the insolvency of the USSR, which in 1988 occupied a firm 21st place in solvency among 112 debtor nations of the world, is currently no secret to anyone. As a result today our country has sunk from the 21st to the 34th place in the world debtor ratings. For example, the German and Japanese banks, our old and biggest creditors, are presently refusing to grant loans to the USSR if they are not guaranteed by the governments of the FRG or Japan.

There remains the acquisition of credits at the state level. But why should the Western powers supply the Soviet economy with money if in 1990, despite all of its financial difficulties, it was able to find 9.7 billion rubles (14.5 billion dollars) to aid foreign governments.

A comparison of all the cited figures, I believe, shows with sufficient clarity that the Soviet Union is right up to a line beyond which starts a state of international bankruptcy.

I hope that the reader understands that the author tried least of all to frighten or stagger someone's imagination. We are simply talking about the fact that once great reserves, including foreign economic reserves, upon which perestroika rested, are melting. Room for maneuvering in the decisive conduct of the economic reform is steadily narrowing. It appears that there are no resources left at all, it seems to me, to pay for a return to the past, if anyone is still nurturing hopes for the possibility of such a turn of events. There are few resources left and they will be sufficient only for a forward dash. They no longer exist for a leap backwards.

#### **Foreign Trade Administrative Structure Blamed for Export Problems**

91UF1041A Moscow ROSSIYSKAYA GAZETA  
in Russian 1 Aug 91 p 7

[Article by Sergey Panasenکو, under the rubric "Russia and the World": "Soviet Exports Will of Course Increase if Their Structure Is Changed"]

[Text] The onslaught of the East European countries, and especially the Soviet Union, into world raw materials markets has turned out to be stronger than experts could have assumed and it already caused a perceptible price decrease last year.

This assessment is contained in the latest quarterly report of MMRS, a British consulting firm, and it reflects the concern of many Western companies with how the USSR is beginning its integration into the world economy.

The unprecedented influx of lead-plate, tin, aluminum, and other metals and ores from the East has lowered prices for them on the London and New York metals exchanges by an average of 20 percent in 1990 which lowered their indices right down to the record low level of 1986.

As a result, for example, 60 percent of the enterprises that produce tin turned out to be unprofitable and its major producers in Canada, Peru, and Bolivia will most likely be compelled to reduce production.

Of course, the USSR does not have any intentions to shock world raw materials markets. However, the "hard currency craving" in the country is too great and the state's foreign economic policy is untenable and ineffective for the time being. In combination with the world economic recession, this is capable of causing quite a bit of worry to the West exactly at a time when the Soviet Union least wants to irritate its Western partners.

The export situation in the USSR remains vague. Nikolay Ryzhkov's former government, which was encouraged by the directors of enterprises and workers' collectives who saw the opportunity to earn hard currency as the only solution to their problems, resorted to significant liberalization of foreign economic activity. As a result, in a short time, the number of its subjects increased to 30,000 and the USSR MVES [Ministry of Foreign Economic Relations] share in foreign trade turnover dropped to 54 percent (for exports—67 percent) in 1990.

However, during that same year, total exports from the USSR in current prices were reduced by eight billion rubles.

Later on, the government also did not formally reject the policy of liberalizing foreign economic relations but nevertheless made a series of decisions that sent Soviet exports into a downturn and only the unprecedented reduction of imports and dollar-ruble exchange rate operations permitted them to report a large positive foreign trade surplus in the first quarter of 1991.

The USSR Presidential Decree "On the Special Procedures for Utilization of Hard Currency Assets in 1991" and the USSR Council of Ministers December and January Resolutions that followed (on formation of hard currency funds and on a tax on exports), naturally in combination with the economic recession, resulted in a

catastrophic reduction of oil exports for the first four months of this year—by 49 percent, petroleum products—by 55 percent, lumber—by 60 percent, cast iron—by 26 percent, and cotton fiber—by 51 percent.

During these four months, the cost of Soviet exports declined on the whole by 13 percent. A remarkable situation is developing: in a country that has an acute need for convertible currency, the government's export efforts are making it unprofitable.

At the same time, barter was announced to be "outside the law" but this remained the most reliable and profitable commodity exchange method for many enterprises. Only the USSR Minister of Trade, Tsentrsoyuz [Center Union], and USSR Gosnab, which currently is nonexistent, retained the right to barter operations. However, the ban was soon violated by the republics and the record deal between the Polish enterprise Khelm and the Donetsk miners, in which 250,000 tons of Polish cement is being exchanged for the same quantity of coal, became the prime example of it. The total cost of the operation was more than \$30 million.

The situation was exacerbated by the fact that the possibilities for increasing traditional Soviet exports have obviously been practically exhausted. Having sold 80 percent of the diamonds mined in advance to the De Beers Company, the government was relieved of concerns about the sale of this commodity and the diamond market noted a 16 percent drop in sales during the first quarter. The oil situation is also not a cause for rejoicing: production has dropped and the price on world markets has come to a standstill at a level of \$15.6-\$18.4 per barrel FOB, depending on the type and, just like the demand for oil, is not showing signs of growth.

Sales of Soviet gold from 1987 through 1990 increased from 250 to 340 tons per year and are driving the price down further—dangerously: one can "encounter" the price for it from the quite low 360 dollars and even lower per ounce. Besides, according to Swiss expert assessments, gold mining in the USSR is being annually reduced by five percent.

A ten-year contract for the sale of nearly 40 tons of enriched uranium to South Korea at a price that is one third below the world price was concluded in 1990 and is evidence of the USSR's desire to secure the market for itself, but this deal is not having a noticeable impact on the foreign trade balance.

From this point of view, as some Western experts note, it is hard to say in which case the union government conducts itself with less foresight: when exports are strangled by fiscal measures or when they let matters take their course, as it was previously observed, do we have any idea what the future holds for us?

It is possible that the government does not understand that it is irrational to rob exporters blind even under the premise of the need to pay off the foreign debt (and in 1991, we need to return \$12.5 billion to our creditors). It

is also possible that the anticipated livening up of economic activity in the West will increase demand for raw materials. But even in this case the situation for Soviet exporters of coal, ore, scrap metal or metal will remain extremely precarious.

The Western consumer is hypercritical and this well-known assertion is valid not only for supermarket customers but also for the clients of commodities exchanges. So, if we talk about the coal for which the miners fought so hard to obtain the right to independently export, the ordinary customer is now interested not so much in the price (which, as a result of fierce competition, will be maintained at an adequately low level), as much as the commodity's qualitative aspects: ash content, moisture content, sulfur content, and the quantity of foreign impurities. The maintenance of these parameters has often been associated with coal extraction and coal storage technologies and the USSR is not at the proper height in either the one or the other.

This attention to the qualitative aspects has been primarily caused by the adoption in the United States and in the European Community countries of very strict ecological standards for carbon dioxide and nitrogen oxide that are formed as a result of burning coal.

Even the accuracy of on-time delivery is becoming an important element of competitiveness. The state of Soviet railroads and port facilities makes these strict requirements almost unfeasible. Incidentally, according to expert assessments, it is the weakness of the infrastructure that does not permit China to count on a significant increase of their export positions on the world coal market.

To a significant degree, this also extends to any other commodities offered by Soviet exporters on foreign markets. Today price is already not the dominant aspect of commodity competitiveness. Consumer properties (functionality and design) and the level of service, which is understood to be not only the capability for repair but also the rapidity with which it can be completed at any point on the planet, are assuming the leading positions.

It is that circumstance that the modern world market is a buyer's market that compels the governments of all industrially-developed countries and of many developing countries to use any method to promote the increase of national exports. Here again the Soviet Union is a unique spectacle because until now it had nothing that it could call an export financing and subsidizing program, just like it also does not have the state institutions (primarily credit institutions) required to do this.

Judging by everything, the government as before is at the mercy of the purely ideological concept of dividing exports into "prestige" and "non-prestige," and "appropriate" and "inappropriate" for the Homeland of the October Revolution. "Appropriate" is understood to be the export of high-tech products with a high share of



added cost and it seems that Moscow is ready to sponsor only it—indeed, also in its own way.

Unfortunately, the Soviet Union produces extraordinarily little of these products and there is no chance whatsoever that it will soon produce more of them.

In April 1991, a representative of Mitsui Bussan Trading Firm expressed the opinion at a "round table" at the Scientific-Industrial Union that we need to agree to concentrate hard currency only in the hands of one entity for investment in the development of competitive export production instead of disputes on the division of hard currency among the republics and regions.

This absolutely does not mean "swings" of capital and investment to "heavy" sectors. Competitiveness and profitability in foreign markets are absolutely not tied to the smokestacks of gigantic combines.

One of the most dynamic markets in the West is toys. According to VNIKI [All-Union Scientific Research Institute for Competition] data, the capacity of the West German toy market doubled in the 1980's and the demand for toys made from paper and cardboard increased at the highest rates. The primary toy suppliers on the European market are firms from Hong Kong, Taiwan, and South Korea. It does not require enormous labor or superhuman efforts to occupy just a part of this long counter.

The Soviet Union can only dream about penetrating the North American continent with machine building products. This is also valid for India. But then Indian firms are successfully exporting castings for sanitary engineering purposes and industrial brackets to the United States. Is there an insurmountable obstacle that prevents Soviet enterprises from attempting to follow this path?

Demand for contact lenses is increasing very rapidly in Japan: saturation of the market with these items here is nearly two times lower than in the United States and Western Europe and VNIKI states that sales volume in 1990 increased by 20 percent and the sales volume for soft lenses increased by 38.9 percent. Primarily U.S. and Irish firms sell contact lenses. However, the USSR could become the next supplier of this commodity with the capacity and skilled personnel we already have and with small hard currency investments.

For now, conversion in our country remains a gigantic funnel which swallows up assets—including hard currency assets in an incommensurable proportion to what it returns. But the defense industry can already earn hard currency today—and not mandatorily by selling fighter aircraft or surface-to-air missile systems. We only need to follow the example of the U.S. firm AM General that promises to offer a civilian version of the Army's HHMMV [Hum-Vee] multi-purpose armored personnel carrier next year.

This wheeled armored monster weighing a little over 2 tons will be sold in a stressed Spartan variant at a cost of

from \$40,000-45,000 each and the company asserts that it already has enough orders to guarantee sales of 5,000 civilian HHMMV's per year.

Who will attempt to say what kind of demand there already is for Soviet BMP's in the United States—naturally, without weapons, but why not try?

Finally, flax. The USSR produces more than half of the world's quantity of flax and sells crumbs abroad: 6,404 tons in 1988 and 4,256 tons in 1989. France alone produced 89,400 tons of flax fiber in that same year. Naturally, the kolkhoz system strongly damaged flax production, just like the rest of the agrarian sector, but turning it into an export sector requires significantly less hard currency resources than the doomed experiment to conquer world automobile markets.

Since no reform program is oriented on encouraging exports, commodity producers in the USSR have long had to count on their own strength. They have little. And they have still less experience at conducting export operations.

Therefore, it is extremely important to begin any steps in this direction with a search for a reliable Western trading-intermediary and marketing firm that is capable of helping us to analyze the market and acquaint us with our competitors' products, study the habits and passions of potential buyers, and the painstaking study of the laws and standards of a given country, and finally, in advertising.

It seems that hard currency is also needed to do this. However, substantially less than we currently expend on modernizing hopeless enterprises or to purchase imported equipment that is rusting under the open sky.

#### **Benefit to USSR of IMF, IBRD Association**

*91UF1025A Moscow TRUD in Russian 26 Jul 91 p 3*

[Article by N. Shevtsov: "But the Money Lives Apart: What the Establishment of 'Associative Relations' with the IMF and IBRD Can Give the USSR"]

[Text] There is a scene in A.N. Ostrovskiy's famous play "In any Wise Man There is Adequate Simplicity." Recall: The rich but tight-fisted Nobleman Mamayev, while talking to his poor but sly relative Glumovaya, says: "I will give you... not money—no; but something better than money. I will give you advice regarding your budget."

I was reminded of this scene after the results of the London "7+1" Meeting became known. Establishment of associative relations between the USSR and the International Monetary Fund (IMF) and the International Bank of Reconstruction and Development (IBRD) was one of its results. It is "associative relations" and not offering the status of "associate member" which, as THE WASHINGTON POST wrote, "could be considered a dubious, low status."

But, be that as it may, even associative relations will not permit our country to be a full-fledged member of these international organizations and, consequently, to have access to credits. Deprived of the capability to obtain loans at the IMF or IBRD, the Soviet Union obtained the right to utilize the technical expertise of these financial institutions and their recommendations and advice. So what happened is precisely what happened in Ostrovskiy's play—they did not give us any money, but then they will advise us. Japan's Chief Cabinet Secretary M. Sakamoto expressed this quite specifically. "The agreements attained in London," he said, "provide for offering the USSR certain types of technological assistance but this is not a question of financial support."

By the way, in all fairness, we need to admit that there was no unanimity among the members of the "Seven" regarding the acceptance of the USSR into the IMF and IBRD. For example, Italy advocated that the USSR become a full-fledged IMF member. But another point of view predominated. On July 24, White House Press Secretary M. Fitzwater set forth this point of view when he stated that negotiations between the Soviet Union and the IMF and IBRD on the USSR's full-fledged membership in these organizations "is not the most effective method to assist Soviet economic reform." He noted that the U.S. administration thinks that "affording the USSR the status of associate member is the proper step at this stage of its economic reform. At the present moment, this is preferable to full membership." This is primarily caused by the fact that the process of accepting any country as a full-fledged member of the IMF or IBRD is quite complicated and takes several years according to existing rules.

But in principle what attracts us to these institutions? What advantages does membership in them bestow? Prior to answering this question, a little bit about the organizations themselves.

The International Monetary Fund is an intergovernmental hard currency-credit organization that regulates hard currency relations among the states that belong to it. The fund functions as a specialized institution of the United Nations Organization. It began to operate on March 1, 1947.

Extending credits to member-countries to pay off balance of payments deficits is one of the IMF's main functions. The fund's capital is formed in accordance with an established quota for each member-country. In so doing, votes in the ruling organs are distributed while proceeding based on the quota of some country or other. For example, the United States, which has the largest quota, has 19 percent of the votes. More than 50 percent of the votes belong to the most developed countries in an industrial sense which number a bit more than 10. It is easy to see that just a small group of countries determines the fund's policy.

The IMF's activities are closely tied with the work of the International Bank for Reconstruction and Development which is often called the World Bank. It provides credits for investment projects. However, these credits may only be allocated to IMF members.

It is also important to bear in mind that IMF and IBRD credits are extended with a number of terms. Those countries that obtain loans must spend them under the strict control of these institutions. To obtain credit, each country is obliged to submit complete information about its financial situation. Wages may be frozen and commodity exports may be restricted etc., in accordance with the fund's and bank's instructions.

Countries that receive these loans frequently view these terms as interference in internal affairs. So that is what recently happened with Brazil. While there, J. Fayzhenbaum [as transliterated], leader of a group of IMF experts, stated that Brazil needed to, no more, no less, reform the constitution adopted in 1988 in order to receive \$2 million in credits. The IMF representative's statement was perceived by Brazil's President Fernando Collor de Mello as interference in the country's internal affairs. The head of state demanded that Fayzhenbaum be recalled and that another expert, who was capable of "more delicately conducting negotiations," be sent in his place. All of the country's parties, including the opposition parties, supported the president's position.

And nevertheless, despite such conflicts, the member-countries are extremely interested in obtaining financial aid and credits from the IMF and IBRD. As for our country, despite the lack of membership, the world press thinks that the establishment of "associative relations" with the fund and the bank was the West's most specific response to the USSR's intention to integrate itself into the international hard currency-financial system. World Bank President B. Conable stated, "We are happy to afford the opportunity to employ our broad experience in economic development and the conduct of structural reform with regard to those difficulties which the Soviet Union is encountering."

As a result, this question arises: What next steps will be undertaken after offering the USSR "associative relations"? We need to say that already last year World Bank specialists subjected the Soviet economy to serious analysis and planned specific measures to render technical assistance. Right now, it is assumed that after this, a trip by the ministers of finance of the "Seven" to the USSR may occur for familiarization with possible Western capital investments in Soviet economic structures. For now, due to the lack of a market and widespread privatization and, naturally, the nonconvertible ruble, foreign capital is not deciding to invest major sums in our economy. The establishment of the USSR's special relations with the IMF and IBRD may ease and accelerate this process.

### Georgian Ministry Official on Foreign Economic Ties

91US0702A Moscow KURANTY in Russian 31 Jul 91  
p 5

[Interview with Valeriy Karlovich Chechelashvili, candidate of economic sciences, first deputy chief of the Main Administration of Foreign Economic Ties of the Ministry of Foreign Affairs of the Republic of Georgia, by Dmitriy Kukanov (Tbilisi): "Freedom Comes Naked"]

**[Text] Official propaganda asserts that the withdrawal of a number of republics from the Union will inevitably lead to their economic collapse, poverty, and famine. Is this really inevitable and will the freedom so long awaited in the outlying areas of our socialist empire come naked?**

Our correspondent met with Valeriy Karlovich Chechelashvili, candidate of economic sciences, first deputy chief of the Main Administration of Foreign Economic Ties of the Republic of Georgia Ministry of Foreign Affairs.

[Kukanov] The foreign trade monopoly about which the Bolsheviks had so much to say is being destroyed before our eyes. In your opinion, will this process continue to develop?

[Chechelashvili] First of all I should probably say a few words about what this phenomenon has been. During the first years of Soviet power, as you will recall, there was a heated discussion about this in the party. Bukharin and his supporters were in favor of regulation of foreign economic activity and indirect levers such as the customs policy, taxes, and so forth. But Lenin worked furiously for the introduction of a state monopoly on foreign trade, which was eventually established. But subsequently we managed to distort even this far from obvious Leninist idea to the point of absurdity. The foreign trade monopoly gradually shifted from the state to the People's Commissariat of Foreign Trade. And in time even this sphere became extremely rigid and uncontrollable. The interests of the producers of export products were not taken into account at all, and as a result the requirements for quality, packaging, marking, and so forth, with their minuscule rewards, became another headache for them. Even those bits of hard currency which still managed to make their way to the producer could not be disposed of at his own discretion. All this led to a situation where our exports tended to be raw materials, and this played a dirty trick on us. At the beginning of the seventies when the economic crisis in the West caused a sharp leap in oil prices, easily obtained dollars began to rain down on us with which they began to patch up all the holes in our economy, which was sick even then. This made it possible to camouflage the failure of the system and prolong its agony, and it ultimately led us to what we have now.

[Kukanov] Valeriy, during those years you were studying in the international relations department of Kiev State

University. Did your instructors really not implant in you a grain of doubt about this point of Lenin's program for building a "bright future"?

[Chechelashvili] What do you mean! On the contrary, they continued to develop Ilich's idea. In 1984 when I had decided on the subject of my dissertation, "Problems of the Participation of the Georgian SSR in the Foreign Economic Ties of the Soviet Union," I had considerable difficulty. Several faculty members at KGU [Kiev State University] understood this topic as a revision of the monopoly on foreign trade. In the end they approved it, but the very fact that they questioned it is barbaric. Thank God, the time has come to rid ourselves of this monster along with many other myths and fetishes created over the past 70 years. Of course, the destruction of this monopoly cannot proceed simply, but it is impossible to preserve it any longer, and even the Union leaders understand this.

[Kukanov] And what path have the republics, including Georgia, taken here?

[Chechelashvili] Various ones. And this is natural. Immense Russia and small Georgia have different capabilities, different problems, and different ways of solving them. Therefore, while a Ministry of Foreign Economic Ties was created in the RSFSR and a state committee was created in Kazakhstan, we decided not to create ministerial portfolios but to create an administration under the republic Ministry of Foreign Affairs. The more so since there are precedents for this. In Australia, for example, there is no special foreign economic department, but there is a Ministry of Foreign Affairs and Trade. Moreover, the institution of the Ministry of Foreign Affairs enjoys special authority in the world; even today when we are so lacking in professionalism, when our producers frequently disappoint their foreign partners, this authority helps us a great deal and will serve as a kind of guarantee. And then, as long as we have common borders with the USSR, customs, and a banking system, a new ministry would be stillborn; all it could do would be to fight for its right to conduct foreign economic activity independently. And this can be done within the structure of the Ministry of Foreign Affairs, which we are in fact doing.

[Kukanov] And how are your relations developing with foreign partners at a time that is so difficult for the republic? Do you feel that their interest in you is idle, businesslike, or something else?

[Chechelashvili] First of all I would like to say that I personally have gained what in my view are several important things from communication with Western businessmen and diplomats in their countries and here. Their society is constructed in such a way that a person who is educated, honest, hard-working, and quick is simply destined to success. There may be failures and interruptions, but he will undoubtedly get somewhere.

But among us, on the contrary, such a person is a social odd man out; sometimes he cannot even feed his family.

Two parallel worlds have taken form here: the economy and the "shadow" economy, discussions at work and discussions at home, in the kitchen... And there has been this kind of dualism in everything. The state has forced people to theft, dishonesty, and insincerity. It has ruined the people and continues to ruin them.

If this goes on, in 30 years we will be so hopelessly behind that we will not even be able to talk to the West, which is now simply rushing into the future. And this can be felt in everything. Even today it is already difficult to talk with them. And it will be worse the further we go. We will simply be speaking different languages and all the linguists in the world will not be able to help us. As for interest in us, previously it was determined by the existence of the iron curtain behind which they were tempted to look. All the negative information about us that was received by residents of the West evoked a reverse reaction in them (just as did our propaganda about their "grim capitalist reality"). How can that be—thought people in the West—after all, there are 250 million people living in that country and in general they are fairly satisfied with their lives, and, unlike us, they are consolidated. They have something we do not have; they have a unifying idea.

But now that this colossus with feet of clay is collapsing, it has turned out that there was no consolidating idea, and everything was kept in place by fear. Moreover, it turned out that behind the iron curtain there was not just one great power but 15, or maybe a total of 25-30 states that did not get along very well together.

Imagine that living next to you was a large monolithic family with many children which one fine day suddenly fell apart, and all of its members started taking turns coming to you and asking for help, each saying that he was the only one who was right in this family drama. Would you want to have anything to do with such a family? Well we were never that monolithic; it was all appearance...

[Kukanov] Are you not trying to say that this caused the West to lose interest in us and it no longer wants to cooperate with us?

[Chechelashvili] With interest everything is simple. As long as we keep our finger on the button that releases the nuclear weapons they will at least be on their guard. As for a desire to cooperate, this has been manifested increasingly with respect to the republics. Abroad they understand quite well that the central leadership is gradually losing its sense of reality, and the republics are meeting together and trying to reach agreements with one another. Therefore, in spite of the complex political situation in Georgia, and in spite of the fact that we do not yet have legislation regulating foreign economic activity, we are having trouble beating off the foreign delegations. They are offering us investments and they want to create joint ventures and establish representative offices here. So Western businessmen see the future of cooperation and they see the advantage of Georgia's

geographical location, which has always been on the crossroads of commerce. And one can imagine what will happen when political stability is restored. I have no doubt that in the future Georgia will have to become a center of business activity, at least in the region.

[Kukanov] But here in Russia many do not share this optimism. At the level of—let us put it this way—everyday awareness there are very strong doubts that Georgia, Armenia, Moldova, and also the Baltic states will be able to exist without Russian oil, timber, and coal...

[Chechelashvili] In my view, these discussions are simply ridiculous. First of all this problem should be bothering us ourselves. No, we are not very rich in resources, but is that the main thing? If that were true then Japan would have to be a poor country. And at the same time there are countries that are very rich in resources—the Soviet Union and certain developing countries—and they have a terrible life. The main thing is to build up normal economic relations whereby a person would have the opportunity to fully realize his potential and express himself. I think that state independence, individual human freedom, and market freedom are all interconnected, and this triad is the basis for living normally, like human beings. Under these conditions any of our republics could achieve success. Everything will depend on the people's talent alone.

[Kukanov] That is, you are saying that each people should proceed toward this independently.

[Chechelashvili] I do not want to speak for all nations, but the Georgian people have selected this path and it is no longer subject to revision. Even setting all the national problems aside, one cannot state that the Union government is capable of leading the country out of the impasse into which it has led it. The credit of confidence has been exhausted, and it has been for a long time.

All of us who have lived in this unitary country must understand one thing: It is better to have a strong but independent neighbor who is always ready to come to your aid than a weak but hostile slave. Of course, it is possible to subdue a small nation through force, but sooner or later this will cause resistance. It is impossible to be happy when surrounded by people who are unhappy. Freedom cannot exist alone, based on the suppression of another. And I think the Russian people have come to see this from their own example. Did the tsarist and later the Bolshevik empire bring them a great deal? Therefore my freedom as a Georgian means your freedom as a Russian.

[Kukanov] But still, what about the oil, timber, and so forth? How do you intend to arrange relations with Russia in the future?

[Chechelashvili] But why are we the ones to be left without Russian oil and without Russian coal? Throughout our entire life together we have always had



abnormal, forced vertical ties. A bureaucrat in the Gosplan [State Planning Committee] decides how many, say, motor vehicles should be sent from Russia to Georgia and how many tons of mandarin oranges should be sent from Georgia to Russia. These things should be decided by the republics themselves through horizontal ties on the basis of mutual advantage and expediency. Even the biggest hothead in Georgia would never think of severing our ties with Russia, which began to be formed not in 1921 and not even in 1801. History has developed in such a way that Christian Georgia surrounded by Muslims was forced to seek protection from Russia, which was also Christian. This was the choice of our ancestors and we must respect it. If Russia had been a Muslim country, everything would have taken a different path.

As for the present day and the near future, judge for yourself, if we find a common language with our foreign partners, how much easier it should be to find mutual understanding with one another, the more so since we have a common economic space and the same monetary system...

And another thing... Returning to your sacramental question of oil and so forth. Here we can hear this subtext. How are they going to live if we do not give them this or that? If you give up something so that you stand to lose, you will be the poorer. So let us arrange our relations in such a way that you do not give anything away, so that it will be advantageous for you to turn it over.

And then if we follow the logic of this question, it turns out that the Russian is concerned about the well-being of Georgia, while the Georgians themselves do not want that kind of happiness and are bent on being poor but free. But no gifts of petroleum will suppress the people's desire for independence any more than the tanks could.

Of course, we will have many problems: the creation of a modern infrastructure, communications, transportation... But we also have conditions that make it possible to count on success, and we have certain resources: magnesium, mineral waters, and we have ports. We have a good geographical location (and being surrounded by Muslims no longer presents a threat; on the contrary, recently we have had excellent cooperation with Turkey). We have a unique climate and conditions for the development of the tourist industry. And, finally, we have talented, enterprising people. True, previously this enterprisingness was frequently directed into an unknown channel, but, as I have already said, the conditions were such that it was practically impossible to live normally without breaking the law.

[Kukanov] But it is not so simple to change people...

[Chechelashvili] You know, freedom produces miracles. And I have experienced this myself. On a business trip abroad I was struck by the hangups of our representatives who end up abroad. At each step they are afraid to say anything more than necessary, to take a faltering step. This internal censor, this stopping device instilled

in us by the totalitarian system is still hampering our lives. I was able to overcome it. And, you know, the sense of internal freedom I acquired is simply inspiring. In exactly the same way the people, emancipated and free, are capable of miracles. I believe that. All the energy that was funneled into all kinds of evasive maneuvers, deception, and cheating will be directed toward creativity. But first it is necessary to complete the dismantling of the totalitarian system.

### **Joint Venture Director Describes Legal Obstacles to Business**

91UF1025B Moscow *DELOVOY MIR* in Russian No 2, Jul 91 p 4

[Interview with Mikroinform Soviet-Hungarian Joint Venture General Director Boris Fridman by Sergey Semendyayev: "Three Years Later: Problems and Prospects of one of the First Joint Ventures in the Soviet Union"]

[Text] The anniversary conversation did not turn out. Boris Fridman, general director of Mikroinform Soviet-Hungarian Joint Venture which began its activities in June 1988, was extremely worried.

"The situation in which Mikroinform has found itself right now," he said, "is both characteristic and customary for the situation of our economy today. Incidentally, Mikroinform is not the only computer joint venture that has encountered enormous problems in Soviet customs."

For information: Mikroinform Joint Venture is engaged in the production, sales, and servicing of computer equipment, the development of its own programs and program products, and also training specialists of all profiles of work on computers. Now about customs: it is a question about the 1990 USSR Council of Ministers resolution that prescribed a six-fold duty increase on imported goods. We will not talk about the advisability of these draconian duties, all the more so since their amount has been decreased by a factor of three since the beginning of this year (they understood that they had overdone it). We will not talk about the fact that the resolution that was issued in AUGUST 1990 went into force on JUNE 1, 1990 (obviously, this is becoming normal legislative practice: the instruction published in JUNE 1991 on the duty with the sale of hard currency enters into force on JANUARY 1, 1991). We will not talk about the prices for imports which will inevitably increase in proportion to the prescribed duties. Punctual compliance with today's far from perfect legislation would be adequate for a joint venture to function normally on the Soviet market. But....

"It is impossible to work when any bureaucrat can individually interpret adopted decisions at his own discretion," continued Boris Fridman. "Black becomes white in the resolution: A good acquired and sold for hard currency is not subject to an import duty in the amount prescribed for similar operations with hard

currency and rubles. However, the customs agents at Sheremetyevo-2 decided to "correct" this provision. As a result, we must pay a 33 (!) million ruble duty for R5 million worth of goods. But we have never had that kind of money! Last year, the volume of our services totaled R6 million. And another interesting detail: no other Soviet customs house has made such claims against us, but at Sheremetyevo-2 they decided to show initiative. I do not know who benefits from this leapfrog on the market....

A truism: stable law—is stable entrepreneurship and the main thing is no one disputes this. However, in the words of Boris Fridman, he cannot recall the law according to which our joint ventures had been reduced to working for at least six months. The Mikroinform general director figuratively compared work under current conditions to a stroll through a mine field. In principle, you can cross this field but you have to waste too much energy and time to overcome obstacles that are not needed by anyone. And, the main thing, all of this chaos leads to ever newer price increases.

"We need stability like we need air, if only for two years," says Boris Fridman. "Here, to be honest, we are very much counting on the new Russian leadership. We are not the only ones who need this!"

Naturally, everything is not as gloomy as it appears at first glance. The colossal experience of working in a freely formed market, which the specialists of this enterprise have acquired, is the most important result of all of the joint venture's activities during the last three years. This experience is worth all of the preceding activity within the walls of various state and scientific-research institutions. The levels of Mikroinform's "old wolves" and the newly hired personnel who are coming on board right now are simply not subject to comparison.

Boris Fridman considers the results of Mikroinform's three years of work to be extremely successful. The joint venture continues to develop and improve its services along those lines which it announced at the beginning of its activities. In the general director's opinion, Mikroinform, with the move to its own, recently renovated office in the center of Moscow will be able to attain an entirely new level of work. Renovation work on the office cost Mikroinform R3 million and the contractors were foreign firms. The joint venture's offices, a training center, children's computer classes, recreation and other rooms will be located in the building on Dobryninka. Mikroinform is constantly and actively engaged in charitable activities.

"In general, our work in the computer market in the USSR has not yet begun," said Boris Fridman in conclusion, "Right now, conversations about the fact that it is impossible to make money on computers in the USSR seem funny to me. A total of 20-30 are involved in this business in the country and we practically do not see each other. In the West, thousands of similar firms

operate in a city like Moscow and they do quite well. So, we are not afraid for our future."

### Financing of Joint Ventures Examined

91UF1015A Moscow *FINANSY SSSR in Russian* No 6, Jun 91 pp 26-32

[Article by L.A. Voronina, candidate of economic sciences and docent at Moscow Institute of the National Economy imeni G.V. Plekhanov: "Financial Resources of Joint Ventures"]

[Text] The move to a market economy will necessitate changes in the financial credit system and give birth to new forms of economic activity. One of these forms is the joint venture. The three years of experience with joint ventures in the USSR revealed fairly serious problems in the sphere of investment cooperation. Foreign partners have been extremely cautious in making investments because of several objective factors: the country's massive socioeconomic difficulties; the shortage of the absolute majority of goods, services, and technical equipment to be used in production; the non-convertibility of the ruble; the instability of economic relations between different parts of the country; the inconsistency of decisions on the radical renewal of the economy.

It is a fact that the formation of joint ventures in the Soviet economy has affected virtually all aspects of economic, social, scientific, technical, organizational, and legal affairs.

In the sphere of financial activity, when the joint ventures were formed there were acute problems in the assessment of initial investments, the choice of sources and forms of credit, and the insurance, categorization, and assessment of all forms of risk the joint venture entailed.

As far as the first of these problems was concerned, the partners' initial investments were stipulated in an agreement between the partners.

Existing legislation in the USSR allows for the formation of joint ventures in which the foreign partner could hypothetically control up to 99 percent of the enterprise's assets. Tax laws also give foreign investors an incentive to increase their initial investments above the 30 percent limit. Since the time when the compulsory correlation of 51 and 49 percent respectively for the Soviet and foreign partners was abolished in December 1988, 1,300 joint ventures have been registered with the USSR Ministry of Finance, and in 141 of these—i.e., 10.9 percent—the foreign partner's share exceeded the share of the Soviet partner. A prominent place in this category is occupied by 32 Soviet-American enterprises (23 percent of the total), and in 17 of these cases the American partner's share equals or exceeds two-thirds of the value of the total initial assets. This corroborates the American companies' wish to establish maximum control over the operations of joint ventures.



The contribution to the incorporation fund can take physical form or can be made in rubles at agreed prices based on world market prices. The same system is used to assess the foreign currency invested by the foreign partner, which is then recalculated in rubles at the commercial rate of exchange. The rate of exchange for the foreign currency is the rate for the date the agreement on the joint venture was signed or another date chosen by the partners. If there are no world prices for invested property, the cost is set in an agreement by the partners.

According to the current practice, the finances of joint ventures are deposited in the ruble or foreign currency accounts of the enterprise and are used to pay the costs of enterprise operations. There are certain conditions to be observed in the payment of interest to the joint venture for the funds in its accounts either in foreign currency, in line with interest rates in the world money market, or in rubles, on the terms and in the manner stipulated by USSR Gosbank. The joint venture must include differences in exchange rates in its profit and loss calculations for these accounts and for operations in hard currency.

Recent experience and a sample analysis of the initial investments in several hundred joint ventures indicate the following: The contributions of foreign partners consist mainly of machines and equipment (58.7 percent of their total investment), with financial resources (29.3 percent) and property rights, technology, and expertise (12 percent) making up the difference. The investment of the Soviet partner consists mainly of the value of buildings and installations (or the right to use them—22.3 percent) and the right to use the land (on which the building included in the initial investment is usually located), as well as the right to use water and other natural resources—14 percent, and financial resources—38 percent.

This is completely understandable in view of the fact that most of the joint ventures combine the real estate of the Soviet partner and the equipment and technology of the foreign investor. This tendency is likely to continue in the near future.

The use of the term "incorporation fund" has revealed insufficient understanding of its full meaning. Some Soviet partners use the term not to signify all of the resources needed to begin enterprise operations, but only the portion represented by fixed capital. They feel that working capital can be provided on credit through a bank, but in the first place, the bank is not obligated to assume the responsibility for this kind of financing and, in the second place, if this should be a matter of long-term financing in hard currency, the very need to form a joint venture is questionable. After all, the foreign partner is primarily necessary as an investor, and if much of the financing is to be the responsibility of a Soviet bank, it might be better to do without the foreign partner. In other words, the incorporation fund should consist of legally secured capital in a strictly defined amount. This will provide the partners in the joint venture and creditors with a guarantee.

Another important question concerns the size of the incorporation fund and the amount to be contributed by partners. When the size is being determined, the partners base their decision on the following:

the nature of enterprise operations;

the possibility of effective crediting and the attraction of outside sources of credit.

The amount of enterprise capital is generally calculated as the sum of the fixed capital needed for the beginning of operations and a small set amount of working capital. Other expenses can be covered by bank credit.

Laws in the USSR, just as in other countries, usually do not require partners to contribute their full share to enterprise capital right away. By mutual consent, they can postpone these investments indefinitely. Joint ventures can operate for some time with outside sources of financing.

This gives rise to an important question concerning the distribution of capital and the related distribution of profits.

As a rule, profits are distributed not in proportion to total initial assets, but in proportion to the actual investments of partners—i.e., to the distribution of contributed capital.

It is possible for a partner to contribute his whole portion of the incorporation fund by the end of the year and change the proportional distribution of profits in his own favor. In 1990 it was common for foreign partners not to contribute their share of the incorporation fund. More than 80 percent of the joint ventures registered in 1990 are not operating. The correction of this shortcoming will necessitate the following precautionary measures:

1. Firm stipulations in the articles of incorporation with regard to the procedure for the distribution of expenses among partners to cover the cost of forming and registering the joint venture.
2. The stipulation of the dates and amounts of contributions to the incorporation fund in the contract and the strict monitoring of these investments.
3. The stipulation that any further contributions to the incorporation fund will be made only with the consent of all partners and by a unanimous ruling of the enterprise board.
4. The prohibition of any kind of financing by partners after the joint venture has been formed without the conclusion of an agreement with the joint venture on the terms and dates of this financing and a board ruling on this matter.

The form in which partners make contributions to the incorporation fund of the joint venture is also important.

The following forms of contributions are possible: property or ownership rights; money in the currency of the partner's country; hard currency.

As a rule, the books of joint ventures are kept in rubles. From the financial standpoint it would be better to regard the foreign currency portion of the joint venture's assets as a commodity with a fluctuating price and to institute a special accounting procedure to guard enterprise finances against the consequences of price fluctuations. This presupposes parallel accounts and reports of operations in foreign currency. Several methods of insuring the firm against fluctuations in monetary exchange rates can secure its financial well-being.

Accounts should only be kept in foreign currency when the joint venture operates only in the foreign market.

The assessment of the partners' share of investments at the time of the formation and liquidation of joint ventures is also important. The articles of incorporation should include what might be called a "currency stipulation"—i.e., at the time of liquidation the assessment will be assessed at the same USSR Gosbank exchange rate as at the time of formation. This will apply to initial investments and to assets assigned to the foreign partner as a result of the economic operations of the joint venture.

Credit is the most important source of financing. The credit mechanism must secure the accumulation of funds in the banking system to guarantee additional monetary resources for the circulation of the productive assets of the joint venture with the prompt repayment of the principal and interest.

Joint ventures have the right to apply for short-term and long-term credit in rubles and foreign currencies from Soviet and foreign banks and the founding firms.

After the articles of incorporation of the joint venture have been signed and the venture has been registered with the union or republic ministry of finance, the joint venture will be a legal entity with the right to open accounts in banks and apply for loans. As a rule, the joint venture does not have the complete production facilities for the start-up of manufacturing operations. Capital expenditures are required for the preparation of the production base. If the incorporation fund is inadequate for this purpose, the joint venture must apply for long-term credit.

USSR Gosbank and USSR Promstroybank will have the right to establish special application and crediting procedures for joint ventures if necessary, providing them with conditions as favorable as those of Soviet organizations.

The document formulating the relationship between the bank and the joint venture will be the credit agreement.

Credit in rubles can be extended for the construction of production facilities (within the limits of the approved estimated cost for a term of up to 6 years after the

extension of the first loan on the condition that the work be finished and the loan be repaid within this period) and for the development of the material and technical base of the social sphere (within the limits of 75 percent of the construction cost for a term of up to 6 years after the earlier measures have been taken and with the credit to be repaid from the common revenues of the joint venture). Administrators of establishments and banks may honor the valid requests of joint ventures for the deferment of loan payments within the limits of the total credit term.

The joint venture may use long-term credit in foreign currency in addition to long-term credit in rubles. This credit will be extended on commercial terms by USSR Vneshekonombank and by foreign banks and firms.

When joint ventures apply for long-term and medium-term bank loans, the fixed assets acquired with incorporation funds, regardless of their amounts, may not be used as collateral. This kind of loan will have to be secured according to the usual banking procedure by the assets of the joint venture that are accepted as collateral in international practice and are of a monetary nature (securities, bills of exchange, promissory notes, documents of title to goods, etc.). Because these assets are usually absent at the time the joint venture is formed, credit can only be secured by the guarantees of the partners in the venture. If the partners cannot offer such guarantees, the guarantor on the Soviet side may be a ministry, department, local government agency, or bank, and the foreign guarantor may be an overseas firm or bank.

The bank will extend credit on the basis of a thorough credit analysis of the joint venture. The most favorable situation for the joint venture is one in which a specialist from the bank considering the credit application has participated in the elaboration of the technical and economic substantiation for the formation of the joint venture.

Joint ventures will operate on the basis of currency self-sufficiency. With the foreign currency earned from the sale of its products, the joint venture will cover current expenditures in foreign currency, the repayment of loans and the payment of interest on loans, and the transfer of the foreign partner's profits abroad. To repay debts in foreign currency, the joint venture will have to rely on income from exports. The analysis of conditions for the extension and repayment of loans will concentrate on marketing considerations—the projected demand in world markets for a particular item by the time of its manufacture, the competitiveness of the product, its quality, etc. If the results of the credit analysis are positive, the joint venture will receive long-term or medium-term credit in foreign currency for the purchase of imported equipment, machines, licenses, and other goods and services needed for the expansion and improvement of production.

In the case of credit for special purposes, specialized banks and USSR Vneshekonombank will sign a credit agreement with the organization founding the joint venture, stipulating the exact purpose of the loan.

If the credit is used for a purpose not listed in the credit agreement, the bank will have the right to demand immediate payment and rescind the credit agreement.

If the loan and interest payments are not made on schedule, the bank may impose the following penalties on the borrower:

the collection of overdue payments at a higher interest rate (of up to 8 percent);

the suspension of all subsequent credit, which may be restored only after additional guarantees have been offered;

the refusal to extend new credit to the joint venture.

In some cases, however, the bank may defer payments for the joint venture within the limits of the total term of the credit.

Fluctuations in currency exchange rates and changes in supply and demand in the loan capital market will have to be taken into account.

Credit in foreign currency will be extended by banks on regular commercial terms with the collection of interest in foreign currency on the unpaid portion of the debt. Interest rates will be set in line with current world market rates.

The bank extending the credit will collect a loan fee from the applicant. The amount of the fee is usually a certain percentage of the interest on the total amount of the loan.

When USSR Vneshekonombank extends credit in foreign currency, it will collect a commission from the borrower in the amount of 0.5 percent per annum on the unpaid portion of the loan. The joint venture receiving the loan will pay the creditor bank a commission and reimburse it for telegraph costs and other credit-related expenditures in foreign currency.

The repayment schedule will be set by USSR Vneshekonombank with consideration for the recoupment term of the credited undertaking. As we have already noted, this kind of credit will be repaid with the earnings from the sale of export goods.

In the event of a change in the exchange rate of the currency in which contract settlements are to be made, the difference will be added to the debt of the joint venture. Calculated interest and differences in exchange rates will not be included in the limit on credit extended in foreign currency.

The repayment schedule will be strictly monitored by the creditor bank. If the joint venture fails to make a payment on time, the bank will investigate the causes of

the overdue payment and will be empowered to take one of the following actions at its discretion:

to demand repayment of the debt with the funds in the foreign currency account of the joint venture;

in the absence of these funds, to collect overdue payments with an additional penalty of 3 percent per annum over and above the interest rate stipulated in the credit agreement;

to declare the entire debt due and payable and charge the additional 3 percent penalty;

to submit a claim for all of the remaining assets of the joint venture and attach the earnings of the joint venture for the repayment of the unpaid portion of the loan;

to suspend the further use of the credit;

to demand the early repayment of all loans previously extended to the joint venture in foreign currency.

Banks extending credit may request the joint venture for reports on the financial status of the enterprise and additional information on the use of the credit, repayment, and the effectiveness of purchased equipment.

When joint ventures have begun operating, banks may extend them long-term, medium-term, and short-term credit in rubles and in foreign currency (and sometimes in transferable rubles). The procedure for the extension of long-term and medium-term credit will be the same as the previously described method used during the formation of joint ventures.

Financing and capital investment transactions will be conducted in the established manner from commercial accounts. At the request of the enterprise, however, a separate account may be opened in a bank for the accumulation and expenditure of funds for these purposes (opened on the same personal resource statement as the commercial account).

Short-term credit in rubles may be extended by specialized banks and USSR Vneshekonombank primarily for routine expenditures—i.e., to secure the uninterrupted circulation of working capital with a minimum capital reserve for this purpose.

This kind of credit will be extended from the loan account, and the amount will be stipulated in an agreement between the joint venture and the credit department of the bank.

Each month the bank will check the amount of the loan against the enterprise's balance. If there is a surplus, the funds will be applied to overdue debts, and the remainder will be deposited in the commercial account of the joint venture. Shortages will be collected at a higher interest rate. When loan payments are overdue for 2 months, the extension of new credit will be suspended, and new income will be used to repay the earlier loans. Subsequent loans will require guarantees.

If the joint venture is operating directly in the foreign market, export goods en route in the USSR and abroad and the sold and unsold export goods in ports and warehouses in the USSR may be used as collateral for credit. Export operations will be credited through a separate and unlimited loan account. The interest on this type of credit will generally be lower than on other loans.

To secure payment for goods sold on the installment plan abroad, the joint venture must obtain guarantees from foreign banks and insurance companies or the founders of the joint venture.

Short-term credit in foreign currency for the purchase of crude resources, materials, components, and other goods abroad will be extended by USSR Vneshekonombank or specialized banks for a term of up to 2 years. The credit terms, interest rates, repayment procedure, and collateral will be the same as for long-term and medium-term credit in foreign currency.

The financial and commercial activities of the joint venture will entail and necessitate insurance against various types of risks. One of the main functions of insurance societies and joint venture offices will be the reduction of these risks.

In the author's opinion, distinctions should be drawn between commercial, monetary, technical-technological, and political risks in the operations of joint ventures.

Commercial risks are connected with the marketing of goods, the shipment of freight, the acceptance of the goods by the buyer, the solvency of the buyer, and the refusal of the buyer to pay.

Monetary risks are connected with the non-convertible and confined nature of some currencies and fluctuations in exchange rates.

Technical and technological risks are connected with the absence of financing for major technical projects and of the prerequisites for the diversification of operations.

Political risks are connected with the institution of import restrictions in the buyer's country, strikes, and the prohibition of monetary transfers.

These risks can be limited by thorough investigations of the financial status and reputation of future clients. Some risks can be transferred to the foreign partner if this partner is responsible for operations in the foreign market because the Soviet partner has no international experience in this sphere.

The lower the per capita national income in the host country of the joint venture, the more probable it is that the foreign partner's experience will be utilized.

In some Western countries the commercial risk connected with the solvency of firms can be transferred to specialized insurance companies, which will insure the exporter against this risk for a fee.

Many Western countries insure their firms against political risks. In Austria these functions are performed by the Kontrollbank, and in the FRG this is done by the Hermes Society.

When joint ventures are formed in the USSR, the partners must consider the possibility of the equitable distribution of risks during the stage of negotiations and the drafting of articles of incorporation.

The Ingosstrakh Society in the USSR will insure joint ventures against some types of risk.

To conclude an insurance agreement, the joint venture will submit an application to Ingosstrakh along with the information needed to assess the degree of risk.

After the insurance application has been processed, Ingosstrakh will send the joint venture a draft insurance policy stipulating the rules or conditions of insurance, the insured sums, the limits on the liability of Ingosstrakh, the term and cost of the insurance, and other necessary information. The policy will be drafted within 14 days after the necessary information has been received from the joint venture. Within 30 days after the receipt of the policy, the joint venture will send Ingosstrakh one copy of the document, signed by authorized officials, and the insurance agreement will then be in force.

The insurance policy will be issued on the basis of a written application for insurance, listing all of the information needed for the drafting of the policy.

If the insurance premium is not paid on the date indicated in the policy, the insurance agreement will be invalid.

Joint ventures are still in the initial stage of development in our country.

In spite of this, in our national economic complex the joint ventures already represent genuine economic autonomy in contrast to the economic links with standard financial restrictions on their economic transactions. The efficient use of the financial resources in joint ventures will depend on the possibility of their rapid adjustments to changes in the foreign and domestic markets, as well as the development of strategic financial planning, the use of special new forms of labor organization and wages for the final results of contracted operations, and the development of the infrastructure of market relations.

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### **Joint Venture Helps Soviets Find Work Abroad**

91UF1059A Moscow *NOVOYE VREMYA* in Russian  
No 28, Jul 91 pp 36-38

[Report by Konstantin Isakov: "There Is Work Abroad. Look for it!—First Experience at Exporting People"]

[Text] Soviet people go abroad in search for work, knowing that in practically all industrially developed

countries there are thousands and millions of local unemployed. Nevertheless, our compatriots have a chance abroad. This is the opinion of Oleg Buzo, director of the Consulting Center for Job Search and Employment Abroad of the joint Soviet-German enterprise Grant. This is the only—among many engaged in the export of people—commercial organization in the USSR that has achieved impressive results.

In May 1990, this SP [joint enterprise] created International Computerized Information Bank "Trudovye Resursy" [Labor Resources], designed to accommodate 1 million applicants and 300,000 customers. Among those who had helped to create it were International Association for Business and Cultural Cooperation "The Community of Sons of Motherland," which had brought together businessmen from the FRG, United States, Canada, France, Spain, and Finland who are former emigrants from our country, and a number of international trade and industry associations representing tens of thousands of foreign companies.

A month after the announcement of the opportunity to go to work "across the border," Grant's information bank have been filled with thousands of applicants' resumes. It had people of practically all skills. After sorting out the data, the statistics were sent from Moscow to the International Organization of Employers, and government and local authorities of many countries. In about two months, first responses started to come in. O. Buzo says the lists of American companies from South Dakota and Iowa, interested in Soviet labor, were about an inch thick. The government of Australia informed that the "green" continent needed specialists in computer technology, transportation engineers, auto mechanics, and drivers. Many countries informed of the existing shortages of agricultural labor. There was also a need for people to work in hazardous production environment, and in oil and gas extraction.

Such an unusual desire of foreign companies to hire specialists from the USSR while there is a tremendous choice of cheap labor in the "third world" countries can be explained, according to O. Buzo, by the fact that Soviet people are undemanding when it comes to their living conditions; they are ready to settle for a minimum; they do not know how to demand (or are afraid of doing so) higher pay; they are removed from politics; and, finally, there is a cultural similarity. Many companies find a Soviet diploma satisfactory. We are not talking, of course, about science-intensive manufacturing that is equipped with the latest computer technology, about prestigious private clinics, or government organizations. To those who are planning to go in search of happiness abroad, O. Buzo offers an advice not to disregard millions of medium-sized and small companies: "They are easier to find common language with, to reach an agreement; they are more open to a compromise, and their demands are not as categorical."

If, however, the market situation in the West is favorable for the Soviet people, why wait then? And why is Grant needed? Unfortunately, not everything is that simple. The problem is not only in the lengthy procedure of documents processing and long lines to the ticketing offices. In the end, Grant will help to process documents for a trip abroad, get a visa, purchase the tickets (in hard currency if necessary), and fill out numerous forms. This is not the main reason, however, why the employment center exists. The main problem is related to the non-convertibility of the ruble. A person who finds himself in the West without a penny or a pfennig in his pocket cannot be responsible for himself. In this case, he needs support of a solid organization that would not only vouch for him, but also could—should the need arise—pay a fine for a disabled computer or broken machinery, and protect his rights if the terms of his contract are violated. In the past, the role of the guarantor for the few Soviet specialists abroad had been performed by the ministries that sent them on these assignments. Not everybody could join the lucky ones, though. Now practically everybody is permitted to go abroad. Grant takes the responsibility for the new employee in relation to a Western company, and serves as his legal guarantor, although in the final count all expenses will be paid by the job seeker himself.

Grant is a commercial company; therefore, it is quite demanding in its selection of applicants before it accepts their 75-ruble application fee and puts information on them in its databank. According to O. Buzo, it is more profitable for the company to send a person to work abroad than to keep information on him in the computer memory. Their profit lies in the arrangement whereby, in accordance with the terms contracts for Soviet people working abroad, foreign companies do not pay a certain amount into local budgets, transferring the money to Grant's account.

According to Grant's statistics, two out of three of those who want to work abroad would agree to any job in any country. The SP, however, believes that such people should not move in the first place: "We cannot perform a miracle. There is no such things as just a vacancy—after all, Western companies can have their pick not only among our compatriots. Therefore, a person must **want very much** to move to a specific country and **convince not only us, but also a potential employer**. He has to prove convincingly that he knows well the language of the country he is planning to go to, that he is ready to adapt to local conditions, and that he has professional skills (he must have at least two years work experience in this profession). Age is not of principal importance. As to health, one has to count on applicants' common sense.

In addition, Grant wants to know about any awards, inventions, and discoveries on the part of the applicants, as well as their other interests, including membership in sports and other clubs. Sometimes the latter may be a decisive factor, especially for English-speaking countries.



Experience shows that with all other factors being equal, among contenders for a job in Argentina preference would be given to one whose mother's name is Maria. Australian employers are interested whether a potential employee can drive a car, and ask to show on the resume previous place of employment, annual salary, job responsibilities, and the number of people under the applicant's supervision. In the FRG, construction workers have the best chance. Many countries need specialists in computers and programming, and workers for assembly lines and hazardous manufacturing. In the Western estimates, the number of vacancies in the Persian Gulf zone is about 2.5 million. To O. Buzo's regret, though, the USSR MFA is asking Soviet citizens to refrain from traveling to that region.

Practically everywhere there is a demand for long-haul drivers. However, before offering their service to transportation agencies and shipping companies, O. Buzo advises applicants to learn at least the minimum specific driving regulations for that country. Despite the fact that international regulations are in effect everywhere, in reality it is true only for drivers of private passenger cars. If the vehicle contains a company's shipment, the latter must be sure that it will be delivered intact and in time to the point of destination and that, if necessary, its driver can communicate with the traffic police. That if he is stopped at an American highway, he will not take his hands off the wheel, reach into the glove compartment for his driver's license, and take any other actions that may be interpreted as potentially dangerous by the policeman.

In Europe, you will be treated more politely on the road, but the consequences can be more dismal. A fine for a dirty vehicle may grow in a geometrical progression if the driver attempts to dispute the policeman's point of view or does not want to understand what is wanted from him.

The center director refused to provide the number of specialists who had obtained foreign jobs with Grant's help. He explained that it was a commercial secret and that one of SP's inviolable rules was the confidentiality of all negotiations. According to him, however, theoretically foreign companies show more interest in skilled workers, but in practice it turns out that they are more willing to hire engineers. He explains this paradox by better knowledge of language among the people with higher education. Nobody, however, would hire an engineer to do a blue-collar worker's job, while a metal worker or a lathe operator will not be engaged in unskilled labor. People get jobs only in the professions in which they have education or practical experience, and which are properly indicated in their documents.

Of course, those who have already worked abroad have better chances.

The names are pulled from the computer memory on a first-come, first-served basis. If you want to speed up the job search, you may be offered to get involved in it on

your own: You will be given a dozen of addresses of sufficiently well-known companies that need employees in this specialty. The rest depends on you.

"When you start searching for a job abroad, the first thing you do is abandon the old habit on counting on a kind and caring uncle," advises O. Buzo. "In the market environment, each makes his own way. Of course, Grant will give you addresses of companies, help you fill out the necessary forms, will translate them into foreign languages (for extra pay by a separate price list), send them by mail or send a backup by fax. We will change your information in the computer (free) if you have acquired another languages or another profession. But we are not miracle workers. Nobody except you can write a winning letter to a company and tell about yourself in such a way that it would attract the employer's attention. If you are going abroad on a guest visa, do not waste time there—look for a job. If you find it, it is unlikely that they will sign a contract with you on the spot: The company needs guarantees. Grant will provide them for you."

*SP Grant address: USSR VDNKh, Electrification Pavilion, Telephone 187-45-47.*

**[Commentary by Rudolf Kuznetsov, chief of the Visas and Registrations Department of the USSR Ministry of Internal Affairs: "Here We Go, Go, Go..."]**

#### Emigration from the USSR With the Purpose of Taking Permanent Residence Abroad in 1990

Country	Number Emigrated	Including Children Under 18
Israel	267,900	70,865
FRG	138,800	48,300
Greece	23,800	7,400
United States	13,100	3,000
Canada	1,212	275
Finland	609	100
Sweden	173	28
France	139	79
Italy	117	23
Spain	108	11
Austria	58	13
Great Britain	53	2
Turkey	39	11
Denmark	18	1
Netherlands	18	5
Norway	18	5
Switzerland	15	3
Cyprus	7	3
Belgium	3	0
Portugal	2	1



During the five months of 1991, Visa and Registration Departments gave a "green light" for emigration with the purpose of taking permanent residence abroad to 132,242 people. In comparison with the same period of 1990, the number of applicants decreased by 8.9 percent. The number of those who have already obtained exit permission but declined to accept exit documents increased fivefold. All in all, 1,512 people have "changed their mind." Less than 300 applicants have been refused the issuance of a foreign travel passport; this is less than 0.5 percent.

By countries, the trends are as follows:

- Israel: 69,200 people went there; this is 17 percent less than during the same period last year; 1,467 people refused to emigrate after all the documents have already been processed. The reasons are easy to guess: People learned that a law on exit and entry would be passed soon, and they would not need invitations from close relatives in order to emigrate. Judging by all appearances, they did not intend to go to Israel and only wanted to use it as an excuse to leave the country. Now they—unless they changed their mind completely—will apply directly to the embassies of the countries they chose;
- FRG: 53,200 people went there—7 percent more than in January-June of 1990. We can expect a sharp increase in this flow: In the past, many Soviet Germans had been deterred by the absence of close relatives in Germany; now this barrier has been removed. A concrete example: Since the beginning of this year, 107 people had been refused a foreign travel passport: They had supplied false information about alleged close relatives in Germany. All of them can now emigrate starting 1 July;
- United States: 9,300 people received exit permission to emigrate to the United States, which is 2.7 times more than the prior indicator. For some unclear reasons, 10 people have changed their plans—apparently, for the reason of not being granted an American visa;
- there are now three times fewer (4,000) people who wish to move to Greece; this is probably related to the worsening of the economic situation in that country. In general, the number of emigrants and the emigration dynamics into some or other point on the globe eventually will be determined by economic considerations. Meanwhile, it is difficult to make a prognosis on the basis of old data: The number had often increased or dropped depending on political circumstances.

#### **'New Version' of ANT Tank Sale Presented**

91UF1024A Moscow KURANTY in Russian 29 Jun 91  
p 6

[Article by Yevgeniy Boshnyakov: "A Petty Swindle with Especially Large Consequences"]

**[Text] Already For a Year and a Half, an Entire Army of Procurators has not Been Able to Answer one very Simple Question: To Whom Specifically Did the much Talked About 'ANT' Intend to Sell Tanks? That is Why We Are Also Returning to this Detective Story and We Offer a New Version About What Was Done to KURANTY Readers**

Our version is based on information from absolutely unverified and totally unreliable sources of the most foreign-native unreliability which allows an experienced Soviet reader to personally draw his own conclusions. The tank builders say they did not have anything to pay, without confirming, the collective's thirteenth wage. And there was nothing with which to pay them because reputable state institutions sold their items by the stupidest method—not for "greenbacks" but for ideology, that is, practically for a song. Although these tanks of ours enjoy the weightiest prestige among foreign professionals and are valued at no less than \$1,200,000—36 million rubles per item. And the golden hands of the factory that produces the competitive equipment that is in demand on the world market could not get a total of R1,700,000 anywhere for the collective's annual bonus.

And there was tension at the factory with deliveries of that same equipment for our own ministry. For a price that is 100 times lower than the world price, the ministry had already purchased so many of these items from the factory that they could have placed one to guard every telegraph pole. And this department has still not learned and others had not decided to sell the surplus ones at a commercial profit. Although absolutely no one has confirmed the information cited above, it follows that to solve all problems—both defense, conversion, and social—a total of several tanks sight unseen were enough for this "post office box" with something to spare. And all of the surplus military equipment and non-disposable items that enjoy demand, especially after the withdrawal of our troops from Eastern Europe, are more than adequate to eliminate all social and many other problems of the military department and all the military-industrial complex's conversion costs. Without dipping into the meager state budget. They also attempted to realize this idea in our country, but... not the tank builders themselves but "senior comrades" in the highest echelons of power also gave their "approval" for the organization of ANT state cooperation concern. And they gave it a particularly important state task—to investigate what arms the foreign arms market values and at what price.

Note, they were tasked to investigate how, what, and at what price to trade on this market. In short, ask the price. They did not task ANT State Cooperative Concern to trade arms. Moreover, the concern was controlled by state organs. The initiators of the idea had undertaken a risk-free business. While selling tanks and other equipment, they could obtain no less than \$10 billion (R300 billion). This was one of the tasks that the state leadership had assigned to ANT. So, who rushed to the station

with tanks, having ultimately killed the very idea of state access to the market with products that are non-traditional for us?

In order to answer this key question of the "detective of the century," we will return to the tank plant which, as has already been stated, urgently needed money in December 1989. They had to look for a solution. The plant director requested that Vzlet State Enterprise Chief stake ANT an advance for the prime movers—those same tanks from which the plant was to have removed the turrets and weapons. The advance would be owed according to the contract. Vzlet purchased them not for itself but on a commission from ANT State Cooperative Concern.

This deal could have become entirely legal if the tank plant had conscientiously fulfilled the terms of the contract and shipped the prime movers to the customer and had obtained the advance requested from the customer at the bank using the shipping documents. But... the plant wasted time! And it began to sit idly by. According to the contract, they had to wait for the customer (ANT) to send them the technical terms to reconfigure the tanks into prime movers—under these technical terms, the plant received quite a bit of money from ANT for doing this over. But ANT did not manage to send these terms to the plant. And the plant came to an agreement with Vzlet on the urgent transfer of "ANT's" money to the plant. There were still no prime movers but it wanted to obtain the money. And the plant workers seized the tanks that a certain English-speaking country located somewhere between Vietnam and Saddam had ordered but then had canceled and the tanks were loaded on the rail flat cars instead of the prime movers. At the plant, they plainly did not know the address where they were to be shipped. They knew only the city (Novorossiysk) and the addressee—ANT. Naturally, Ministry of Defense officers refused to recognize this cargo as military and to provide guards for it en route—they, as everyone right now, were interested in the exact address that is proper in these situations.

It turned out that they did not manage to ship the tanks. But what would they not do for money and still under the guise of "in the interests of our collective." And the plant shipped the tanks not under an awesome guard but accompanied by ITS OWN workers. When they arrived at the port, the workers began to look for their customer, that is, ANT. But it was not there. ANT workers not only did not manage to make the technical terms, they also did not lease a cargo storage area at the port. I asked a former ANT leader why they needed a storage area and why they did not immediately ship the tanks from the port. It turns out that later the ANT workers learned the principles of international trade. And they, these procedures, are quite strict: it sold the goods: deliver them on time or pay a fine that is greater than your entire profit. ANT personnel were also well aware of the reliability of their suppliers. Therefore, they intended to bring the prime movers to the storage area and only sell them later. This is how simply they explain the most important

element that is transforming the "scandal of the century" into a soap bubble and that has been inflated for attaining personal gain even at the cost of multi-billion ruble losses for the state. ANT ordered prime movers and not tanks. ANT did not manage to sell these prime movers to anyone because they did not have them and, for the reason indicated above, they did not want to sell goods when they only had a contract. And this is the main thing that the authors of this sensational and exaggerated scandal are hiding—this was not a case of the sale of either prime movers or even tanks. And therefore no one can also tell the country where ANT allegedly intended to sell, while evading Soviet laws, military equipment when there are thousands of them rusting today behind all of the fences from the Urals to Transbaykal and when they are selling fast on the Western market for hard currency (the Poles and Czechs are selling these same tanks; the Bundeswehr has accepted MIG's into its inventory with pleasure, etc.).

Meanwhile, many people have, as they say, lined their pockets well on this exaggerated scandal. An author of an "anti-tank" article has become an RSFSR people's deputy and, indeed, is already right now confessing what happened. The main executor of the "senior comrades" directive (not those who gave the order to organize ANT but others) to open "fire on the tanks" has generally made a dizzying career for himself and he has not only ended up as a people's deputy but he is among the leaders of Russian communists. The director of that same tank building plant sits in session alongside him! A cordial company is with them in the deputies—an entire commission—that same commission that has contrived to disrupt R140 billion worth of deliveries of meat, butter, and consumer goods for the Russian government—one more "sensational affair. They have gotten theirs.

The "tank scandal" also has its continuation. Sverdlovsk Court has just ordered a Kishinev organization to return more than R500,000 to the Ural Department of the USSR Academy of Sciences. And at one time these Kishinev residents transferred this money to ANT to purchase computers for the academicians. But ANT's accounts are still frozen. And it does not intend to pay for losses that it did not cause. And the procurator's office is carrying live coals: that it should acknowledge to ANT the case for what it is—an empty bubble, who will pay the multi billion rubles worth of losses for disrupted trade deals and for the artificially created shortages of food and consumer goods? To not declare—who will return the money to the Kishinev residents? Simply speaking, it looks like the scandal is turning against its organizers.

And if we sell abroad just part of the equipment, that has been long forgotten by everyone, including by the military, behind the fence "according to the "ANT methodology," we would be able to provide housing to all homeless officers and warrant officers. And having established commercial trade, that is not squeezed by the press of incompetent and bribe-loving departments,

using the achievements of scientific-technical progress of the military-industry complex, we could resolve all of the problems of its conversion, that is, transform the most expensive "facility" in the country with zero economic return to the sector of rapid compensation. Finally, one can convert the complex's surpluses into consumer goods and food.

#### **Creation of Forum for Entrepreneurs Considered**

*91UF1062A Moscow ROSSIYSKAYA GAZETA  
in Russian 7 Aug 91 p 3*

[Article by Yekaterina Vasilchenko: "CEMA Is Dead. Long Live the Forum of Entrepreneurs?"]

[Text] Pavel Bunich, president of the Union of Lessees and Entrepreneurs of the country, told journalists at the USSR Ministry of Foreign Affairs Press Center: "Changes in the political course entailed the collapse of stable economic relations, especially in Eastern Europe. New entrepreneurs in the former socialist countries immediately faced a most serious problem: Business partners are simply unable to find each other in the chaos that now prevails in the Eastern market. CEMA has died, and we should not lament this obsolete structure. However, something new should be created in its place—an organization that will help to restore the severed relations but on a new, market basis."

For the Union of Lessees, this year has been marked by the establishment of international contacts; its bureaus organize and vigorously participate in all kinds of meetings aimed at reinforcing business contacts.

A forum of entrepreneurs from Eastern Europe will be held in Leningrad in the fall. The president of the USSR Union of Lessees is one of the cochairmen of the forum. Margaret Thatcher will be the second cochairman.

A USSR Union of Lessees and Entrepreneurs delegation very eagerly joined in efforts to organize the Congress of Countrymen which will assemble representatives of the Russian diaspora from all corners of the globe in mid-July in Moscow, Leningrad, Sverdlovsk, Novosibirsk, and Perm.

With applause at international forums and champagne sprays at banquets, Russian entrepreneurs are attempting to join international business circles as partners, and to invite businessmen from across the border to participate in solving home-grown, domestic problems. After the banquets, the mundane will set in—economic backwardness and political instability, to which we have already grown accustomed, but which scare away foreign partners. Out of a multitude of international contracts signed by now, at best one-tenth are "operational." However, vigorous involvement by the state, at the level of both the Union and the republics, still gives us some hope that the endeavors conceived will be successful.

#### **Association Promotes Economic Contacts With Arab Countries**

*91UF1076A Moscow DELOVOY MIR in Russian  
18 Jul 91 p 6*

[Article by Yuriy Popov: "Experience Will Come"]

[Text] The Association for Foreign Economic Cooperation With Arab Countries, Asarab, has in the two years of activity established contacts with more than 250 Soviet and foreign enterprises and firms.

Formed under the auspices of the USSR Trade and Industry Chamber, Asarab sees as its mission the active enlistment in cooperation of Soviet manufacturers of export products, the quest for potential partners among Arab firms and development of direct business relations between them.

"The foreign trade turnover of Asarab members in the past year amounted to R27 million, given the lowest rates in the Soviet Union," General Director Robert Klekovskiy emphasized. "The association's plans include the construction of an Arab business center in Moscow, the opening of a bank for the financing of Soviet-Arab projects, the publication in Russian and Arabic of a commercial news bulletin for reference and facilitation of the search for business partners."

Arab firms have recently been displaying great interest in the Soviet market and in the organization of joint ventures in the USSR and in third countries. Thus Egyptian entrepreneurs are proposing the creation in Estonia of a joint venture for the production of shampoos and other perfumery products. The basis being waste of fish-processing industry. The Egyptians agree to supply the essential oils. The entire product will be prepared from natural components, which guarantees high competitiveness not only within the country but on the foreign market also.

"An important direction in the association's activity is the organization of exhibitions both in the USSR and overseas," R. Klekovskiy observed. "We have conducted in Moscow a demonstration of goods of the Moroccan MANATEX firm. Our association was the first Soviet participant in history in the international exhibition in the Sultanate of Oman last November."

Asarab invests a considerable amount of the monies it earns in the development of modern, ecologically clean technology and expertise. Specifically, in the research being conducted in the Lomonosov Moscow State University into the use of lasers for evaluating the state of the atmosphere and the use of solar and other nontraditional forms of energy. There are already promising proposals from Saudi and Egyptian businessmen for the creation of joint ventures in these spheres.

Nor is charitable activity alien to the association. Thus Asarab purchased overseas a million disposable syringes and presented them to Moscow's child health care service. For a children's home in the capital's Kiyevskiy

Rayon the association handed over free of charge 150 sets of imported sports clothing worth a total of over \$250,000.

At the end of 1990, the association signed a contract for the purchase in Egypt of consumer merchandise—clothing, perfumes, and furniture—totaling almost 6 million pounds sterling. These resources had lain for a long time immobile in the accounts of Soviet enterprises, which were having difficulty making use of them. Given the association's assistance and within the limits of its financial possibilities, each enterprise was able to select for itself the commodities it needed. Other similar contracts for the purchase of commodities in general demand both for convertible currency and a number of restricted currencies are being worked up currently.

Asarab looks to the future with optimism inasmuch as the association has approached the second anniversary of its activity with a sizable baggage of business experience and a stable financial position and is engaged in the realization of new ideas and projects.

**The Asarab telephone number to call: 241-06-60.**

### Lessons For USSR From Brazilian Indexation Experiments

*91UF1029 Moscow IZVESTIYA in Russian 30 Jul 91  
Union edition p 3*

[Article by M. Kozhukhov: "A Soporific for the Tiger"]

[Text]The law concerning indexation of incomes, adopted by the USSR Supreme Soviet was received by many with hope: the promise to protect the already modest earnings of the working person from rising inflation, sounds, you must admit, rather enticing.

To us, but not to the Brazilians. Some 26 years of existence under conditions of an indexed economy, which appears to be rather a rare case for large countries, has created the conviction there that Brazil will either end with indexation or the reverse will occur. The president of that country, F. Collor, for instance, believes that—"Indexation is a farce, a gigantic swindle." Attempts to break away from its clutches were made repeatedly: in 1986 the country managed to hold on for nine months, in 1989 it lasted only three months. At present, just five months after the most recent desperate attempt to get rid of it, the outcome of this duel between Brazil and indexation is still unclear.

As a start, a brief story on the topic of inflation based on local life. Two years ago the Brazilian branch of the "Mitsubishi" company launched an enticing offer into a promotional orbit. Anyone who purchased a new "Mitsubishi" television set would receive a full refund—down to the last centavo, in two years from this firm. True, without regard for inflation. Someone by the name of Jose Souza, a bank clerk from the state of Parana, who spent 1.2 million cruzados (as the local currency was called at that time), recently came to collect. One must

give "Mitsubishi" its due, the firm refunded what it promised, with purely Japanese precision. But between the purchase of the television set and the payment of the refund inflation came to 36,070.82 percent! Senior Souza could purchase two portions of ice cream with his former million.

By contrast with us, Brazilians, who for a long time denied inflation as such, became accustomed to the tumultuous devaluation of money. Having a sense of humor, Professor of Social Psychology E. Vasconcelos, of the Sao Paulo University, in his research in this field, even coined a special term for his compatriots—"homo economicus inflationarius." "The virus of inflation lives today in every Brazilian, guiding all our actions into a certain channel," he asserted in an interview with the "Veja" magazine.

Decades of inflation taught Brazilians that prices change only in one direction—in the direction of an increase. The technology of this process is as follows: a producer raises the price of a commodity, the trader hurriedly does the same, the worker immediately demands a rise in pay—the producer reluctantly agreeing, raises the price again. The cost of living keeps going up with growing speed, but everyone is temporarily pleased and they go home with a sweet feeling of satisfaction with the fact that each time they have more money in their pockets. This entire chain of events, as noted by the "Veja" magazine, if it does not destroy the economy outright, it does gradually undermine it. Inflation—the "worst of the taxes which society pays."

Judging by forecasts of Western economists, in the very near future we will have to be paying this tax in full. They assert that inflation in the USSR is as inevitable as the change of seasons. But was indexation as inevitable and what is the need for it? In a somewhat simplified form the story about "Mitsubishi," mentioned above, answers that question. It is necessary to make certain that Comrade Souza, if he invested his savings not in their Japanese television set but in our domestic savings bank, would not end up with a stick from an Eskimo pie in his hand with the passage of time.

This scheme, however, contains certain peculiar nuances and I asked one of the greatest Brazilian authorities in the field of economics, the 72 year old Roberto Campos, who is also considered to be "the father of Brazilian indexation," to talk about them. Presently deputy of the national congress, Roberto Campos in 1964 was Brazilian minister of planning, the very one who introduced this system into operation there.

"The introduction of indexation in Brazil pursued four main goals," he states. "First of all, the creation of a securities market which would make it possible to finance government expenditures. Secondly, protection of the assets of enterprises and firms since with the absence of indexes they are 'devoured' by inflation. Thirdly, indexed compensation of monetary deposits makes the owner of a savings book confident that, in



trusting the government with the preservation of a certain sum of money, he will get it back. Finally, indexation makes it possible to conclude any long-term contract, which is difficult to do when money daily 'loses weight.'

"At first this bore some fruit," R. Campos continues. "The amount of funds invested by Brazilians in securities and savings in three years rose from 14 to 20 percent of the GNP—a correlation which is considered acceptable as a normal level of investments. Moreover, a certain decrease in inflation was even noted. Unfortunately, however, not for long. Very soon all efforts to keep emission under control went to rack and ruin."

Alas the "laboratory model" of an indexed economy proved to be a chimera. A rise in oil prices in the 70's, foreign indebtedness, endless grants to inefficient state enterprises and maintenance of an inordinately bloated bureaucratic apparatus, akin to ours, brought to naught all advantages of indexation. The term in which wages, monetary investments and contracts were subject to correction decreased from the initial six months to three, and then to one month. Then the famous Brazilian "overnight" appeared—a type of savings in which the bank account is daily "fattened" by the amount by which money "loses weight." The result: it became far more advantageous to keep capital in the bank than to invest in the construction of a plant which may take a long time to pay for itself. Finding itself without investments Brazil remained "a very promising country."

F. Collor, the current president, is attempting to bring this system to an end. However, the stumbling block for his plan on stabilization of the Brazilian economy turned out to be the policy in the field of wages. Four times last year the government sent to congress draft legislation replacing indexation of wages with regularly renewed labor agreements. Four times congress blocked the government proposal under pressure by the opposition which is convinced that repeal of indexation would lead to a rapid impoverishment of the working masses and plunge the nation into the abyss of social crisis. For almost a year the government struggled to conclude a national pact in which indexation would be absent, entrepreneurs would pledge not to raise prices, while trade unions would not demand an increase in wages. Nothing came of this, however, and the pact was not formed.

Indexation was then repealed. Not fully, however: all the operating indexes that were in effect were replaced last February with one needed to correct monetary investments. The reference index is established by the government on the basis of average bank rates. Prices and wages were frozen and a prohibition was placed on the indexation of taxes and contracts for up to a year.

Almost nothing came out of all this—Brazil having endured for five months with difficulty, is gradually being drawn into another inflationary loop, covertly indexing everything that is possible on the basis of a

reference index—contrary to the prohibition. Wherever the index does not fit, the dollar appears as "the golden reservation": the country "thinks" in dollars automatically converting any amount into them—whether it is a bank robbery or the estimate for sewer repair.

Roberto Campos believes there is nothing surprising in this: it is senseless to struggle against indexation. According to his own graphic expression—"It can only die its own death and never a forced one." By contrast with inflation which is controllable.

"In a country where the annual rate of inflation does not exceed the traditional six percent bank rates," he continues, "indexation is not needed at all. But if this percentage is higher who will invest money in savings? No one. Everyone will run to the stores to convert their savings into commodities, into gold, into anything that does not lose value with time. And this accelerated demand familiar to us is not dangerous in that it exasperates the people but in that it brings about distortions in the entire economic structure."

With all of its minuses indexation makes it possible for the state to 'bind up' the money, to retain it in banks, invest it in industry and in the social sphere."

But does indexation promote the inflationary process?

"In part. But inflation is brought about not by indexation as such, not by tragedy and cataclysms, such as earthquakes and wars, but by poor financial policy. It is possible to get rid of inflation in only one way: through a decrease in the state budgetary deficit with rigid control over the emission of currency."

How realistic is it to index wages and pensions while leaving tariffs, taxes and the rest in a frozen state?

"I am assuming that this can be permitted only with a surplus of money in the treasury. Quite the opposite would be the correct, market, decision: indexing of the financial system and freezing of prices. Correct but rather rigid. What can this lead to? To a sharp decline in demand while stimulus to save will appear among the people. It is true that for a certain amount of time this will be linked with losses in real income but the situation will swiftly even out through the inevitable growth of supply."

But, I repeat, this is a very difficult recipe. It requires political conditions and determination by the government. There will inevitably be some who will be hurt."

You are a proponent of market spontaneity?

"Market regulation. At one time I professed romantic socialism and one of the sins of my youth was that I became minister of planning. Today I believe that planning of the economy is something like physical exercises prescribed for the dying by charlatans who understand nothing of medicine, for purposes devoid of any sense. The market is a system that regulates itself with amazing deftness."

Indexation of the economy is a complex tool and deliberations by R. Campos, of course, do not exhaust this theme. The fact that it played a fatal role in Brazil, does not mean that the system is defective: much depends on whose hands this tool falls into. Other examples are also known—Chili, for example, where indexation, lasting for a short time, died “a natural death” and brought results. It is true, this did take place with better developed market relations and a type of regime which, gently speaking, did not believe in tears in defending its interests.

By the way, the absence of a fully developed market mechanism is one of the reasons that makes it necessary to doubt any optimistic perspectives for indexation in our country. Let us consider it in the following light: if it is regarded as a means of restoring trust in the savings bank, the saver will believe data reported to him by the government on only one condition. This condition is if the official level of inflation, buying power, wage earning capability, the value of the consumer's basket, and everything else is confirmed by independent and generally recognized economic authorities, which we do not have. On the contrary, resolutions of the government pertaining to “the inflationary aspect” of our life, are already showing some categorical notes about a “unified methodology” in the elaboration of consumer budgets, their adoption by the cabinet of ministers and review “not less than once per year.” Brazilian economists, with whom I started conversations on this theme, unanimously predict: with such a “unified methodology” we are not going to see any money in savings books. By way of reference: in Brazil the cost of a consumer's basket, for example, is determined every two weeks by four university centers, but even this does not convince the “homo economicus inflationarius.” He is the shoemaker, small farmer, owner of a bakery, etc. who continues to raise prices and inflation keeps growing with them.

But let us forget about the savings books, after all we are interested not in them but in wages, is that not so? Therefore, about wages: in a quarter century of indexed economy the purchasing power of the average wage earned by a Brazilian has not matched the level of prices once! This is about the only thing on which local economists of the most varied persuasions agree: social justice which allegedly triumphs with the indexation of incomes is no more than a mirage, a mark on the constantly rising level of inflation. The higher this mark the less the rise in wage compensates its real losses. This monthly “shortfall” in our welfare accumulates like interest on a debt, which society will inevitably have to repay at once on the day when a real program of struggle against devaluation of currency is adopted.

In recalling another metaphor, about “the tiger of inflation,” which F. Collor planned to slay with a single bullet in assuming the post of the president of Brazil, the indexation of the economy is similar to a soporific for that tiger. For a time you are safe, but the tiger can wake up at any time.

### French Paper Cited on USSR Sale of Natural Resources

91UF1062B Moscow SELSKAYA ZHIZN in Russian  
7 Aug 91 p 5

[TASS article: “Foreign Exchange at Any Price (The French Newspaper TRIBUNE DE L'EXPANSION on USSR Foreign Trade)”]

[Text] A Swiss businessman who finds the sight of the zigzags of the trade policy of the Soviet Union dizzying complains: “The situation in raw material markets could not be any worse. The Soviet Union is selling everything cheap, and prices are creeping downward.” The market of raw materials cannot control “the USSR factor.” In the last 10 years, the Soviet Union has asserted itself in strategic positions with regard to two dozen raw-material commodities, such as, for example, nonferrous materials, iron ore, and oil. As soon as Moscow stirred, the situation in the market for certain commodities went from shortages to abundance. A British merchant stated: “Being aware of this, the Soviet Union played a subtle game until the beginning of this year, adjusting its trade policy depending on the level of prices in the world market. Apparently, it has given up the logic of prices from the beginning of this year. Operations performed by foreign trade associations or enterprises are subordinated to one overall task—to generate foreign exchange by any means.”

At present, the copper market, which, to begin with, is experiencing a drop due to declining demand in the West, is in fear of the possible offer of this commodity by the Soviet Union, which dumps new metal. This puts the policy of industrial processing of wastes which has been initiated in Europe in serious jeopardy. It has now come to the point that purchasing Soviet cathodes of the MOKI [expansion not identified] type, of mediocre quality, is more advantageous than purchasing new furnace copper or scrap.

As far as zinc is concerned, new products just out of smelting furnaces are offered at scrap prices. European or South Korean businessmen who have to incur the cost of collecting, storing, and sorting scrap metal cannot maintain their profits in conjunction with the arrival in the market of products from the USSR, in which self-cost remains “a mythical notion.”

Specialists on raw-material commodities do not see any respite in this “great sale.” In the opinion of some of them, “the collapse of Soviet industrial production releases increasing amounts of semifinished goods which may be dumped in Western markets. This sword of Damocles leads to altogether paradoxical situations. World supply barely meets the demand for such nonferrous metals as nickel, titanium, cobalt, or platinum. Logically, prices for them should remain constant; however, they are declining in conjunction with the Soviet practice of giving rebates of between 5 and 15 percent, regardless of the current market conditions. The very



possibility of Soviet iron ore coming to the market brings out the fears of oversupply, the poor quality of this ore notwithstanding.

### **Soviet Ships Sequestered In Italy For Lack Of Funds**

91UF1004A Moscow IZVESTIYA in Russian 19 Jul 91  
p 3

[Article by IZVESTIYA correspondent M. Ilinskiy:  
"Savona Does Not Believe in Tears"]

[Text] There is a calm on the Tyrrhenian Sea while at the Rome branch office of the USSR Ministry of Maritime Fleet there is a storm. How to assist two vessels which suffered a financial shipwreck under the Soviet flag—the "Moldaviya" and the "Latvia", owned by the "Interol viya" cooperative firm that is registered in the city of Il yichevsk, below Odessa? Both vessels were taken into custody at the ports of Savona and La Spezia. The USSR Embassy in Rome and the consulate in Genoa have a big headache. The case is not being resolved. What has happened?

The "Interol viya" cooperative firm purchased an old passenger vessel, the "Moldaviya", from the Black Sea Maritime Company along with a similar motor ship, the "Latviya", from the Latvian Maritime Company. Both vessels were snow-white passenger liners not subject to repair, they were to have been written off. The cooperative workers, however, decided to breathe new life into the "motorized sails." The incentive is basically good calling for every kind of support, particularly under conditions where our once mighty merchant marine and passenger fleet is being drained of its blood and is disappearing from the scene. But I must immediately stipulate that such incentives are acceptable if they are substantiated with knowledge of laws, based on substantive financial possibilities, and permeated with respect for the human dignity of crew members.

But let us describe everything in the order it happened. Vessels were purchased, crews were selected from among Soviet citizens. They were issued seamen passports. The motor ships sailed off into the open sea without internationally recognized documentary substantiation of their safety. They still managed to safely reach the hospitable Italian ports of Savona and La Spezia where it was planned to conduct repair work for two or three months, transforming junk into comfortable passenger vessels and one even into "a seagoing gambling casino."

That was incorporated, as is customary with us, in the ideas and plans. This required considerable sums of money. The "Interol viya" firm, however, did not have such money in its coffers.

Trouble knocked on the cabin doors of the Moldaviya and the Latviya. At first quietly and then more insistently. The vessels found themselves laid up. It is necessary to ensure the viability of the motor ships around the clock. A vessel cannot be denied proper support. Electric

power, water, food, medical supplies and other minimal requirements are needed for viability. Garbage accumulates in the course of the day which cannot be dumped overboard.

The hire of a single barge to remove garbage and trash costs a thousand dollars. Where is the money to come from? How are the port levies to be paid along with rental of docking space, and other items? The "Interol viya" firm did not take that into account.

Therefore the entrepreneurs from below Odessa found themselves in debt. This debt is already rather substantial amounting to about 1.5 billion Italian lira just for the Latviya. The situation is acquiring an increasingly scandalous and multifaceted nature. This is what the captain of the Latviya V. Puzyrev, had to say:

"We sailed from the port of Riga on 16 January 1991. On 1 February we dropped anchor at Spezia. Repair work at the local civilian ORAN Shipyard is out of the question. We attempted to do much of the work ourselves but enthusiasm alone will take you only so far. An acute shortage of food supplies was felt as early as March. Crew members have not received a single lira up to now. How is one to live? We reported our difficult position to I. Rachinskiy, general director of the "Interol viya" cooperative firm. But he categorically refused to pay the crew members." V. Grigor'yev, representative of the Ministry of Maritime Fleet in Italy, who conducted an investigation, adds some details:

"The agreement to pay each member of the crew per diem in the amount of five American dollars was reached prior to sailing but it was made in oral form. The commercial contract in accordance with the USSR Law Concerning Entrepreneurial Undertakings of Citizens in the USSR was practically not made with personnel who were hired by the 'Interol viya' cooperative firm. This constitutes the crudest violation of the laws of the USSR."

V. Grigor'yev contacted managers of the "Interol'viya" from the Soviet Consulate in Genoa in April of 1991 and offered his skilled assistance in the resolution of controversial and complex questions but the cooperative did not respond to his offer. According to V. Puzyrev, Captain of the Latviya, crew members started suffering from gastric disturbances and avitaminosis.

Port authorities decided to conduct an inspection of supplies on board the vessel. Even the police were shocked by their lack during the inspection. The local "Karitas" charitable society donated some food, vegetables, and fruit. Spezia city authorities also donated food and issued transportation tickets to the sailors. They are also being assisted by representatives of the Italy-USSR Association.

What is the way out of this situation? I asked the captain. "The vessel was sequestered," Puzyrev said. "The 'Interol'viya' cooperative firm must find funds for its release. There is little hope of that, however. The

demands of the crew are simple: 'We must be paid our wages. Only then are we prepared to return to the Motherland.' We consider our demands just and in full accord with the laws of the USSR."

The situation that developed on board the vessels provided abundant material for the Italian press. "In Savona there are 40 Soviet Russian sailors without money or food. The motor ship Moldaviya was seized for debts," wrote the Genoan newspaper "Il Secolo XIX." "Eighty Soviet sailors have been forgotten for months on board at Spezia," headlined the Livorno newspaper "Messaggero Marittimo." We shall not cite headlines in Italian newspapers and detail the number of Soviet "forgotten sailors." The effect of such a press is clear.

Meantime the conflict in Spezia grew and reached the court. The Praetor—a city magistrate, held the initial hearing and scheduled a second one. There is no end in sight in this case. Everything rests on legal questions which were apparently not even imagined (without special legal preparation) by the management of the Il ychevsk cooperatives.

How is it possible to help the vessels and their crews get out of debt and sail away even if all the labor and financial conflicts are resolved? Provided the cooperative and its Italian partner are able to resolve the financial problem with the motor ships they will be unable to reach the new repair base at the port of Palermo (Sicily). This requires permission by the representative of the USSR Register of Ships in Yugoslavia (there is no such representative in Italy). At the same time, as we know, the vessels lack all of the conventional international documents confirming their seaworthiness and navigational safety.

### Customs Violations On Soviet-Romanian Border

91UF1003A Moscow ARGUMENTY I FAKTY  
in Russian No 28, Jul 91 p 3

[Interview with S. Kozlov, deputy chief of the Vadul-Siretsk Customs Office, date not given: "An Ordinary Customs Office"]

[Text] While the question concerning customs duties is being massaged in the various offices thousands of automobiles, trains, aircraft, and ships continue crossing borders of the USSR. Work there is in full swing—they prohibit, confiscate and, unfortunately, sometimes, divide up...

Our correspondent A. Sargin discussed these problems with S. Kozlov, deputy chief of the Vadul-Siretsk Customs Office (on the Soviet-Romanian border). After all, the problems facing that customs office are the problems of the Soviet customs service in general.

[Sargin] How are you managing this entire flow?

[Kozlov] Motor vehicle access roads are the biggest problem. They were constructed in 1971 and are

designed to handle 400-500 vehicles per day. But pere-stroyka has borne fruit and we are handling that number of vehicles in just six to seven hours. So in a day around 1,500 vehicles pass through. Roads, the equipment, and personnel are all suffering wear and tear.

[Sargin] What about the railway passengers? I hope inspections go faster with them?

[Kozlov] Trains have been lengthened by 16 cars. It is impossible to crowd more than 36 persons in a car. Therefore the routine remains as before. Contraband is being smuggled just as before. Foreign currency is flowing like a river.

[Sargin] Often people simply do not know what can be carried and what is prohibited. Different regulations are issued. Sometimes it is a decree from your authorities, another time it is some other important document...

[Kozlov] It is simply inconceivable that people have nowhere to acquaint themselves with the regulations. We do not have a printing facility. Each kiosk needs to sell specialized brochures. We have many times requested the Ministry of Railways to broadcast our regulations while trains are en route. No reaction whatsoever!

For instance, we have a regulation from the Chairman of the Ukrainian Supreme Soviet stating that all goods exported through border points on the territory of the Ukraine (valued at more than 30 rubles) are subject to confiscation. How can, for example, a resident of Tyumen or Uzbekistan know this when crossing the border?

[Sargin] What can you say about the most recent decree of your authorities—I am referring to the increase in customs duties on all goods?

[Kozlov] Everything must be economically substantiated and calculated. Let us consider duty on autos. Most often we are having junk imported - cars that are 10 to 15 years old with more than 300,000 kilometers on them. Duties should take into account the degree of wear of the auto: the more worn the car the higher the levy. After all they cause nothing but harm—pollution, for example. How do we handle this?

[Sargin] But in that case the customs officer will start resembling a clerk in a commission shop.

[Kozlov] More like a jealous husband. The new customs duties are leading to this. Imagine an officer who must determine the personal requirements of each citizen. Nonsense!

[Sargin] I have watched you and thought that not everyone can check purses. A certain kind of personality is required for that.

[Kozlov] First of all—an ability to communicate. Composure and a sense of adventure in a good meaning of the word, also do not hurt. But, most importantly, he must realize where he is working!

[Sargin] How much do you earn? Do you get any benefits?

[Kozlov] Line officers earn 170-180 rubles. Managerial personnel earn slightly over 300 rubles. There are bonuses for length of service, rank, and for knowledge of foreign languages. Operational workers receive evening overtime and very small bonuses. There are practically no benefits—24 vacation days and a pension at 60 years of age. With all of this they are “responsible for everything.”

[Editor] Each occupation has its problems. But there are some occupations whose problems become ours and in the most hypertrophied forms. Customs personnel earn little, they have no benefits, and their responsibilities are really great. But what do we have to do with this?! When the customs service was created in Russia its main task was the promotion of trade and commerce. Today—it is the reverse.

Goods and money flow by the customs officer over the border every day in vast amounts but he has only a worn three-ruble bill in his pocket. Just try and keep from hating the entire world in such a situation. What ability to communicate can there be here? Only the sense of adventure remains. We and our already limping economy pay for this.

### Spanish Brick Factory Begins Operation

91UN2383B Moscow TRUD in Russian 6 Aug 91 p 3

[Article by TRUD special correspondents A. Polonskiy and S. Prokopchuk: “Spanish Bricks From Sevastopol”]

[Text] Sevastopol—From any encyclopedia, including the Great Soviet Encyclopedia, we may learn that 25 percent of the chernozem soils of the world are located in the Ukraine. The mighty fertility of these soils, the “fattest” there are, is unrivaled. If we were zealous masters, the ownership of these chernozem soils alone would suffice to turn us into a rich agrarian power. We should preserve our provider-land and keep it for ourselves and for the coming generations. Alas, by now large areas of Ukrainian chernozem have been irretrievably lost to artificial seas and marshes. How much magnificent land has been lost under the rock heaps of Donbass mines, and under the dumps of blast furnaces and steel-production slags of the Dnepr area, pockmarked by quarries, and spoiled forever by the sulfurous poison of open-hearth and chemical production facilities? We do not have such data at present, but it can be seen anyway that they are distressing, and not just in the Ukraine.

This bitter assertion was heard in the statements of almost all participants in the inauguration of an unusual plant recently held in the outskirts of Sevastopol. Those in attendance—construction materials’ experts, enterprise directors, ministry functionaries, and leaders of cities—gathered there from all over the country, from the Ukraine, Russia, Georgia, and Kyrgyzstan. They wanted to see with their own eyes and evaluate a new

technology that makes it possible to manufacture from production wastes, without polluting the environment in the process.

TRUD reported on this technology for the first time on 31 May in an article devoted to the Spanish company Triboteknika [as transliterated] Industrial and its president, engineer and inventor Celestino Sanchez. [as transliterated]

The first brick plant of C. Sanchez has now been started up in Sevastopol.

Boris Puklenov, a specialist from Yaroslavl said: “Of course, we desperately need bricks. However, the ecological issue in our area is equally acute: Throughout Yaroslavl Oblast, there is a great deal of land mutilated by production wastes. We have wracked our brains over what to do with this. After all, at present, enterprises should indicate precisely where wastes have been taken, in keeping with State Committee for Environmental Protection requirements. A brick factory based on Triboteknika Industrial technology makes it possible to put to use thousands of tons of various wastes and to collect money from enterprises for taking in original raw materials. It turns out that the plant makes money twice—for processing wastes and for manufacturing bricks.”

Incidentally, the technology of C. Sanchez’s brick plant is designed to produce not only various types of bricks, but also earthquake-resistant blocks, tiles, and shingles. In the process, rock heaps of hard-coal mines, iron ore quarries, wastes from stone, lime, sandstone, granite, and marble quarrying, discarded molding sands, blast-furnace and steel-smelting slags, and so on are put to use. All of this is used without baking, and without the use of glues. The energy intensiveness of the Spanish technology is 50,000 times lower than that of a conventional plant processing clay by way of baking. This technology has already been confirmed by the USSR State Committee for Output Quality Control and Standards. Before September of this year, such plants will be built in 13 oblasts of the European section of the USSR.

Levan Lordkipanidze, director of a construction materials combine in the city of Rustavi, and Tengiz Alibegashvili, chief technologist of the Union of Construction Personnel of Georgia, are attracted by the possibility of producing earthquake-resistant construction materials at C. Sanchez’s plants. After the two recent destructive earthquakes in the republic, this has become one of the main issues for construction specialists in Georgia.

Georgian specialists believe that such miniplants may be built in each of the regions affected by the earthquake: “Having read about them in TRUD, we approached the former USSR State Committee for Material and Technical Supply and other organizations for help. After all, this is precisely what we need so badly: low fuel and energy input, a broad range of products manufactured, and, of course, its resistance to earthquake. How are we going to pay for it. Partially in foreign exchange, and partially through barter.”

Valeriy Smirnov, director of the Komplektobmen Company of the All-Union Association for Industrial and Technical Exchanges With Foreign Countries, made a quite specific statement on opportunities to acquire Spanish brick plants.

He said: "Our company engages in barter operations abroad. We offer raw materials—refinery products, oil, coal, and so on. In return, we purchase manufactured products, mainly entire facilities for manufacturing construction materials, medical equipment, and processing lumber, meat, and milk. Some enterprises do not have freely convertible currency available to them. However, if some of them have raw material products manufactured over and above state requisitions they may approach us. We are prepared to consider requests to sell these raw materials and purchase the necessary installations."

Other participants in the discussion proposed to secure funds for the acquisition of the plants by means of cooperation among various enterprises, or on the credit extended to us by the Spaniards. Out of this credit, \$750 million are earmarked for the acquisition of the latest technologies and equipment from Spanish companies. Tribotekhnika Industrial is such a company...

C. Sanchez, president of Tribotekhnika, who was present at the inauguration, familiarized Soviet specialists with the plans of his company. As early as 1991, the company will begin to make minifactories for producing 1,500, 2,500, and 5,000 tons of cement per year for the Soviet Union, as well as enterprises for producing frames, doors, windows, wooden floors, and parquet.

...While the inauguration was under way, even stacks were lined up next to one another on the storage pad of the plant. These were the first Spanish bricks turned out in the Ukraine.

## Kyrgyz Law on Foreign Economic Activities

### Text of Law

91US0708A Bishkek SLOVO KYRGYZSTANA  
in Russian 17 May 91 p 3

[Law of the Republic of Kyrgyzstan: "General Principles of Foreign Economy Activity of the Republic of Kyrgyzstan"]

[Text] This law defines on the basis of the Declaration on the State Sovereignty of the Republic of Kyrgyzstan the general principles of the foreign economic activity of the Republic of Kyrgyzstan and the procedure of state regulation of this activity and also the powers of the state authorities of the republic in the sphere of foreign economic relations.

### Article 1. Concept of Foreign Economic Activity

The activity of bodies corporate and citizens encompassing economic, commercial, currency, S&T, cultural

and other relations with foreign bodies corporate and citizens is deemed foreign economic activity in the Republic of Kyrgyzstan.

### Article 2. Authority in the Republic of Kyrgyzstan in the Sphere of Foreign Economic Activity

Pertaining to the jurisdiction of the Republic of Kyrgyzstan are:

- exercise of foreign economic policy, including currency and credit policy;
- establishment of quotas and licenses for raw material and commodities produced on the territory of the republic;
- establishment of the procedure of currency and customs regulation;
- establishment of the legislative principles of economic activity in the foreign economic sphere;
- conclusion and implementation of international agreements in the sphere of foreign economic activity;
- membership of regional international economic organizations;
- establishment of the procedure of the creation, registration and activity of joint ventures and international combines and associations;
- establishment of the procedure of the opening and activity of foreign missions;
- defense of the economic interests of the Republic of Kyrgyzstan and enterprises, organizations and citizens of the Republic of Kyrgyzstan beyond its territory;
- establishment of taxes, dues and compulsory payments to the republic and the local soviets from the income of participants in foreign economic activity, the rate of which is established by legislation of the Republic of Kyrgyzstan;
- determination of free economic zones;
- establishment of the legal protection of foreign investors on the territory of the republic;
- participation in the creation and activity of international economic and S&T organizations and also inter-governmental commissions and committees for trade and economic, S&T and cultural cooperation and other international economic authorities;
- independent adoption of decisions on the creation of trade missions overseas.

**Article 3. Principles of the Republic of Kyrgyzstan's Relations with Other States in the Sphere of Foreign Economic Activity**

The Republic of Kyrgyzstan's relations with other states in the sphere of foreign economic activity are built on the basis of:

- observance of the principles of states' equality and noninterference in internal affairs;
- fair economic cooperation and mutual benefit between states and the creation of most-favored-nation conditions;
- conscientious compliance with the commitments ensuing from the generally recognized principles and rules of international law and international agreements of the Republic of Kyrgyzstan;
- fair economic cooperation and mutual benefit.

**Article 4. Purpose of State Regulation of Foreign Economic Activity**

State regulation of foreign economic activity is exercised for the purpose of the balanced socioeconomic development of the Republic of Kyrgyzstan based on the assurance of the efficient control of foreign economic activity and an improvement of the instruments of realization of the republic's foreign economic policy.

**Article 5. System of State Regulation of Foreign Economic Activity**

The system of state regulation of foreign economic activity includes:

- registration of the parties to foreign economic activity;
- declaration of the commodities and other property to be moved across the state border;
- the procedure of the exportation and importation of products (jobs of work, services);
- measures of the current regulation of foreign economic activity.

The said system extends to all types of foreign economic activity, including direct production, S&T and cultural ties, coastal and border trade and commodity-exchange transactions and to all participants in foreign economic activity.

**Article 6. Leadership and Control of Foreign Economic Activity**

General leadership of foreign economic activity is exercised by the Republic of Kyrgyzstan Cabinet of Ministers.

Coordination of the work of ministries, departments, associations, enterprises, and organizations in respect to their practice of foreign economic relations is exercised

by the Republic of Kyrgyzstan State Committee for Foreign Economic Relations.

Interference of organs of state administration and officials in the international economic activity of the subjects of foreign economic relations is prohibited.

**Article 7. Subjects of Foreign Economic Activity**

Enterprises and organizations and associations thereof, cooperatives and other bodies corporate and citizens have the right, following the appropriate registration, to engage in foreign economic activity. The participants in foreign economic activity are registered by the body empowered by the republic government.

The Republic of Kyrgyzstan may be a subject of foreign economic activity.

**Article 8. Rights of Subjects of Foreign Economic Activity**

Subjects of foreign economic activity have, regardless of forms of ownership and types of activity, equal rights in respect to exercise thereof and within the framework of current legislation determine the extent and directions of foreign economic activity.

The participants in foreign economic activity have the right to open accounts in banks of the Republic of Kyrgyzstan and of other Union republics and in foreign banks.

The profit of subjects of foreign economic activity, in foreign currency included, remains, after the payment of taxes, wholly at their disposal.

**Article 9. Duties of Subjects of Foreign Economic Activity**

The subjects of foreign economic activity are required:

- to engage in production and other activity in compliance with the international standards and rules current in analogous sectors;
- to comply strictly with environmental protection legislation and guarantee the safe performance of operations and exploration;
- to present to the state authorities regulating foreign economic activity bookkeeping and statistical reports in the established procedure.

**Article 10. Protection of the Rights and Legitimate Interests of the Subject of Foreign Economic Activity**

The Republic of Kyrgyzstan guarantees protection of the rights and legitimate interests of the subjects of foreign economic activity.

In the Republic of Kyrgyzstan nationalization of the property of the parties to foreign economic activity is prohibited.



Losses caused the subjects of foreign economic activity by state authorities and officials are subject to compensation.

**Article 11. Responsibility of the Subjects of Foreign Economic Activity**

Subjects of foreign economic activity bear material and other responsibility for damage caused the state, bodies corporate, and citizens.

The Republic of Kyrgyzstan is not responsible in respect to liabilities of the participants in foreign economic activity.

The participants in foreign economic activity are not responsible in respect of liabilities of the Republic of Kyrgyzstan.

**Article 12. Suspension of the Transactions of a Subject of Foreign Economic Activity**

Transactions of subjects of foreign economic activity are suspended by the Republic of Kyrgyzstan Cabinet upon a submission of the Republic of Kyrgyzstan State Committee for Foreign Economic Relations.

**Article 13. Special Conditions of the Exercise of Foreign Economic Activity**

Conditions of the exercise of foreign economic activity in free economic zones and in accordance with concession agreements are determined by legislation of the Republic of Kyrgyzstan.

The territory occupied by a free economic zone remains the sovereign territory of the Republic of Kyrgyzstan.

**Article 14. Procedure of the Exercise of Border Trade**

Border trade is exercised on the basis of local resources and commodities allocated the Union republics in accordance with market allocations and also raw material and intermediate products economized at the enterprises and in associations and organizations participating in this trade directly.

The entire proceeds from the exports are channeled into the purchase of machinery, equipment, materials and consumer goods for satisfaction of the requirements of the population of the border areas.

**Article 15. Offices of Foreign States and Enterprises and Organizations in the Republic of Kyrgyzstan and Offices of the Republic of Kyrgyzstan and Enterprises and Organizations Overseas For Trade and Economic Matters**

Foreign states and enterprises and organizations may establish their offices for trade and economic matters in the Republic of Kyrgyzstan. The Republic of Kyrgyzstan and enterprises and organizations may establish their offices overseas on the basis of international agreements between the Republic of Kyrgyzstan and foreign states.

The procedure of the opening and activity of the offices is determined by legislation of the Republic of Kyrgyzstan and the Union of SSR.

**Article 16. Procedure of the Opening and Activity in the Republic of Kyrgyzstan of Offices of Foreign Firms**

Foreign firms, banks and organizations may open offices in the Republic of Kyrgyzstan in no way other than with the special permission of the Republic of Kyrgyzstan Cabinet or, on its behalf, by republic ministries and deputies.

Several foreign firms may open one joint office.

An office of foreign firms is deemed open in the Republic of Kyrgyzstan as of the date of issuance of authorization for its opening.

**Article 17. Foreign Economic Activity on the Territory of the Republic of Kyrgyzstan with the Participation of Foreign Capital**

Joint ventures and international associations and organizations with the participation of Soviet and foreign bodies corporate and citizens may be created on the territory of the republic in accordance with legislation of the Republic of Kyrgyzstan.

The joint ventures and international associations and organizations have unlimited liability.

The property rights of joint ventures and international associations and organizations are subject to protection in accordance with legislation of the Republic of Kyrgyzstan.

Joint ventures and international associations and organizations have the right in the procedure determined by legislation of the Republic of Kyrgyzstan to transact foreign trade and other foreign economic deals, including transactions in national currency, within the republic without the right of their exportation. [as published]

**Article 18. Resolution of Disputes**

Disputes of subjects of foreign economic activity in the Republic of Kyrgyzstan with state authorities of the republic and Soviet and foreign bodies corporate are to be examined in the state arbitration authorities and the courts of the Republic of Kyrgyzstan or, as agreed by the parties, in an arbitral tribunal.

A. Akayev, president,  
Republic of Kyrgyzstan  
Bishkek, 18 April 1991

**Decree on Implementation of Law**

91US0708B Bishkek SLOVO KYRGYZSTANA  
in Russian 17 May 91 p 3

[Republic of Kyrgyzstan Supreme Soviet decree: "Implementation of the Republic of Kyrgyzstan Law 'Basic Principles of Foreign Economic Activity of the Republic of Kyrgyzstan'"]

[Text] The Republic of Kyrgyzstan Supreme Soviet resolves:

1. To implement the Republic of Kyrgyzstan law "Basic Principles of Foreign Economic Activity of the Republic of Kyrgyzstan" from the moment it is enacted.
2. That current legislative instruments not in conflict with the said law will be applied until legislation of the Republic of Kyrgyzstan has been brought into line with

the Republic of Kyrgyzstan law "General Principles of Foreign Economic Activity of the Republic of Kyrgyzstan."

3. That the Republic of Kyrgyzstan Cabinet will:

- draw up and confirm regulations governing the procedure of registration of the participants in foreign economic relations and the registration of joint ventures and international associations and organizations on the territory of the Republic of Kyrgyzstan and the procedure of the opening and activity in the Republic of Kyrgyzstan of offices of foreign firms, banks and organizations;
- bring decisions of the Republic of Kyrgyzstan Government into line with the Republic of Kyrgyzstan law "General Principles of Foreign Economic Activity of the Republic of Kyrgyzstan."

M. Sherimkulov, chairman,  
Republic of Kyrgyzstan Supreme Soviet  
Bishkek, 18 April 1991

**Turkish Prime Minister on Relations With USSR**

91UF1085A Moscow SELSKAYA ZHIZN in Russian  
14 Aug 91 p 5

[Interview with Mesut Yilmaz by L.N. Spiridonov, general director of TASS; place and date not given: "Interview With the Turkish Prime Minister"]

[Text] Ankara, 13 August—The development of relations between the Soviet Union and Turkey based on mutual trust and friendship, respect for territorial integrity, noninterference in internal affairs and mutual benefit has always been a most important priority of Turkish foreign policy, Turkish Prime Minister Mesut Yilmaz declared in an interview with L.N. Spiridonov, general director of TASS. The Soviet Union is primarily our neighbor, and Turkey is sure that the close relations which it maintains with neighboring countries are of great significance from the standpoint of the preservation of peace both in the region and worldwide.

I believe, M. Yilmaz emphasized, that in our time, when the old political structures and approaches in the world and in Europe have become a thing of the past and new structures are only just beginning to take shape, the relations that have existed between Turkey and the Soviet Union for 70 years now will assume entirely different proportions. They will become relations of firm cooperation in the light of the changes in Europe and the new principles of Soviet policy being put into practice under the leadership of president of the USSR M. Gorbachev.

As far as the relations which Turkey has established and is developing with individual Soviet republics are concerned, they are a component enriching our relations with the Soviet Union as a whole and increasing the well-being of the peoples of both countries.

The present government, M. Yilmaz observed, is planning to make Turkey a serious economic force in the region and on the international scene by the year 2000.

The Black Sea Economic Cooperation Project advanced by Turkey is a model of mutually profitable cooperation of a new type, which has united the efforts of countries of the region.

I observe with satisfaction, the prime minister continued, that our position is being received positively in a number of countries. Specifically, the conclusion at the meeting in Moscow on 11-12 July 1991 of the eight months of work on a document that outlined the principles of Black Sea economic cooperation clearly testifies to the unity of our views and an endeavor to develop economic relations even more actively. I hope that, following the signing of this document in Turkey, specific work will begin and that it will rapidly bear fruit.

As far as the Turkish economy is concerned, it has undergone structural changes, which began in 1980 and which were defined conclusively with the assumption of office in 1983 of the Motherland Party government, M. Yilmaz emphasized.

The basis of the successes of the Turkish economy in the 1980's was the decision to abandon the old economic policy and switch to a modern market economy. Despite all the difficulties which the reform caused in this period, the Turkish economy has today become so flexible and hardy that it has been able to endure the crisis in the Persian Gulf without great losses.

The main directions of the economic policy of the Motherland Party government as of 1980 through the present have been free prices, the emancipation of foreign trade conditions, the establishment of the real domestic currency price and the achievement of its convertibility, free interest rates and a privatization program.

The efforts made in accordance with these principles and the development of theory have secured Turkey's rapid advance in the direction of a modern economy. Over the past 10 years exports have grown sixfold, and more industrial products than agricultural products have come to be exported. Whereas earlier foreign trade constituted approximately 10 percent of national revenue, in recent years this figure has been in excess of 30 percent. Major changes have occurred in the sphere of tourism, industry, finances and construction.

### New Financial Arrangements With East European Partners Needed

91UF1081A Moscow DELOVOY MIR in Russian  
16 Jul 91 p 6

[Article by Candidate of Economic Sciences Mikhail Lyubskiy: "To Recover From the Shock"]

[Text] Cooperative relations which have developed between Soviet enterprises and their East European partners were referred to as one of the priority avenues for normalizing economic relations in the Program for Overcoming the Crisis in the Economy of the Country in the Environment of Making a Transition to a Market Economy, which was adopted jointly by the USSR Cabinet of Ministers and the governments of sovereign republics. It was planned to consistently switch to a new economic basis in these relations, effective the third quarter of this year, abandoning intergovernmental regulation and giving producers complete freedom. To this end, it is planned to develop a system of clearing, with subsequent conversion, and settlements in national or convertible currencies.

The need for putting the system of mutual settlements with our immediate neighbors in order is pressing. A transition from clearing in transferable rubles to settlements in freely convertible currency "along the entire front," made in 1991, was accomplished without taking into account the actual economic and currency situation in the USSR and East European countries. Those who believed that this step, at the current level of development of the economy and mutual cooperation of the countries of Eastern Europe, could bring us closer to a civilized market were in grave error.

Speaking at the 45th meeting of the CEMA Session in January of last year, former Prime Minister Ryzhkov stated with confidence: "The use of freely convertible currency in mutual settlements and of world-market prices in mutual trade are becoming a feasible means for transforming a system of economic relations at this stage." At this point, the speaker asked himself the natural question: "...will this step result in disrupting mutual relations and inflicting losses on the economies of CEMA countries?" He answered: "It would be unwise to ignore such apprehensions. Nonetheless, sober and objective analysis gives us arguments in favor of this solution."

We are now experiencing firsthand the devastating consequences of this "balanced" decision. In 1990, trade between the USSR and Eastern Europe declined by 10 percent; in 1991, it will apparently decline by a factor of 1.5 to 2. At present, many enterprises of Hungary, Poland, Czechoslovakia, and Bulgaria are literally choking because they are unable to sell goods manufactured for the USSR. We cannot "buy out" even the urgently needed Hungarian and Polish medicines. Recently, the Polish government announced that 79 enterprises out of 100 which were forced to discontinue exports to the USSR are in danger of going bankrupt.

Aviation and electrotechnical plants, and enterprises manufacturing communications equipment are experiencing the greatest difficulty. The crisis of the "overproduction" of goods for the Soviet market and the closure of a number of enterprises are becoming yet another source of unemployment, social tension, and financial instability in East European countries.

Why did the East European countries heed the call of the USSR and agree to switch to dollar settlements? Apparently, there were two main motives for this: to break out of the integration shackles of joint planning operations (primarily the international coordination of plans) and to rush into the embrace of the Common Market in order to "bridle" their economies in the environment of a Western-style, harsh competitive struggle. Life has shown that so far these have been quite illusory hopes. Apparently, the objective of the Soviet Union was to put an end to many years of charity in relations with Eastern Europe in the form of selling fuel and raw materials at understated prices and to finally receive [hard] currency in cash for its "hard" goods.

What is the defect of the current "design" of mutual settlements? Naturally, everyone strives to primarily export goods for freely convertible currencies (that is, to the West), and if goods are imported, they are, of course, also from the West. If the USSR sold its oil to, for example, Hungary for dollars, it is naive to assume that it will spend the dollars to pay for Hungarian medicines.

References to the practice of the world as a justification for switching to settlements in freely convertible currencies are absolutely irrelevant. The point is that a majority of international currencies are now convertible or partially convertible, whereas countries with weak currencies use non-cash settlements in the form of clearing and barter. It is also forgotten that for the countries of Eastern Europe, Western currencies are foreign currencies which may only be generated as a result of exports to the West or on credit, that is, they first need to be "earned" in a fight with the competition, and subsequently used for mutual settlements. If the national currencies of the USSR and Eastern Europe were convertible, they could promote the expansion of mutual trade and cooperation on a market basis because they would be genuine national currencies, which could be turned without hindrance into any goods and any other currencies.

The sources of the dollar supply of, first of all, East European countries are in quite a lamentable condition. The first source, exports, remains insignificant due to its inefficient structure (the share of machinery and equipment in it comes to merely between 0.6 and 10 percent). Another source of foreign exchange, new loans by Western banks and international financial organizations, is almost closed because the level of indebtedness of the East European countries has already reached a critical mark, and new loans (if they are still given) are used to refinance the debt. The situation of the USSR in this regard is somewhat different if we take into account

undeveloped oil reserves and opportunities for selling gold. However, at present we are not in a position to finance imports from Eastern Europe and keep mutual trade "afloat" on our own. A shortage of foreign exchange in our country is exacerbated by disorder in the system of its distribution and confusion in the area of the division of powers in foreign trade.

What next? What would a complete collapse of economic relations between the USSR and East European countries mean? In order to answer this question, we should recall that very recently these countries were our main trade partners. In some years, their combined share in the turnover of USSR foreign trade came to about 50 percent. Deliveries from these countries were, and still are, very significant for the economy of our country. The USSR is still more significant as a supplier of oil, gas, hard coal, iron ore, and cotton. The discontinuation of the deliveries of these goods from the Soviet Union would bring about the condition of economic collapse in the countries of Eastern Europe.

It is obvious that allowing mutual relations to disintegrate would mean acting against one's own national interests. A way out of the impasse should be sought through joint efforts. It appears that the hard-to-explain indifference of the leadership of our country to this issue, and its somewhat lopsided preoccupation with contacts with the West, are beginning to be overcome. Meanwhile, Western aid is precisely what could facilitate the "resuscitation" of trade between the USSR and East European countries to a large degree. The orientation of aid toward the USSR without taking into account the condition of its ties with this region would reduce its effectiveness substantially.

As the first, "emergency," measure, it is necessary to ensure the financing of exports from Eastern Europe to the USSR. It may be provided by means of a special loan to the Soviet Union in freely convertible currencies on preferential terms for paying for imports from Poland, Hungary, and Czechoslovakia (the plan of Minister of Foreign Affairs of Czechoslovakia J. Dienstbier). In the process, foreign exchange received by these countries as payment for deliveries to the USSR by them could be used in the future to pay for Soviet exports to these countries. The loan could be repaid through the joint efforts of the USSR and these countries. Naturally, this

loan should be viewed as an emergency measure, as a catalyst for at least a partial restoration of mutual trade between the USSR and the East European states.

It is necessary to resort to bilateral clearing in freely convertible currencies at present and in the years to come while overcoming the crisis, stabilizing the economy, and restoring foreign trade remain the main tasks. This will make it possible to overcome the existing dead-end situation. A segment of trade between enterprises will proceed in the form of barter transactions (as is the case now). In the process, trade associations engaging in "collective" barter and countertrade transactions, in the course of which equivalency and balance in exchange are better ensured, may play a useful role.

Settlements through bilateral clearing are a temporary measure. In the future, bilateral agreements on payments, providing for direct currency relations between partners on the basis of using their national currencies in mutual settlements by converting them into one another, may apparently become a more flexible form of mutual settlements. Given appropriate economic and currency-financial prerequisites, such agreements would be an important step toward the genuine convertibility of the currencies of the East European countries. This is convincingly shown by the experience of West European countries who used such agreements in the latter half of the 1940's.

At this stage, Western help could consist of financing the stabilization fund in freely convertible currencies in order to ensure the internal convertibility of the ruble, as well as the participation of Western specialists in creating a system for multilateral settlements in Eastern Europe.

As a market economy develops in the USSR and East European countries, they could use a proven tool such as multilateral clearing (for example, in European Currency Units), which would be based on settlements in mutually convertible national currencies. Foreign-exchange support by the West could play an important role in ensuring its operation, as was the case during the implementation of the Marshall Plan.

It is obvious that progress on the road to using "new" forms of settlements may only be made if constructive contacts are established between the interested countries. At present, it is important not to waste time and to take the first steps toward each other.



### **Sino-Soviet Cooperation Said To Advance Strategic Interests**

91UF1056 Moscow MOSCOW NEWS in English  
No 20, 19-26 May 91 p 3

[Article by Alexander Bovin, IZVESTIA political analyst: "We Need Better Relations with China"]

[Text] The visit by Jiang Zemin, General Secretary of China's Communist Party Central Committee, Chairman of China's Military Council, is—irrespective of protocol and inevitable ritual—expected to become a business-like event. Attention will focus on the stormy and controversial history of Soviet-Chinese relations.

The period of euphoria, romantic friendship and brotherhood that followed the establishment of the People's Republic of China in 1949 lasted till the end of the 1950s. At that time thousands of Soviet specialists helped people's China. Thousands of Chinese students came to the USSR for their education. Stalin and Mao were watching us...

But eventually the mistrust between the Chinese and Soviet party bosses dating back to the Comintern times, their different attitudes to the fundamental decisions of the 20th CPSU Congress, Beijing's transition to the "big leap" policy, the sudden withdrawal of Soviet experts, and the power struggle in the international communist movement brought about a gradual cooling and then fierce confrontation of political and ideological relations culminating in a bloody incident on the border of Damansky Island.

After Mao's death in 1976 conditions favouring positive changes began taking shape. A notable impetus came from the USSR in 1982 with Brezhnev speaking in Tashkent about our relations. The speech was followed by another pause due to powerful opposition from the anti-Chinese lobby in Moscow. In the mid-80s the opposition was broken. Mikhail Gorbachev's visit to Beijing in 1989, although marred by student unrest, marked the completion of a normalization period in Soviet-Chinese relations in all spheres.

Against such a background, Jiang Zemin's visit to the USSR can be regarded as a major step towards improvement and enrichment of relations between our two great socialist powers. There is no end to improvement, of course. But real life dictates concrete and finite objectives. There was a time when the Chinese refused to prolong the treaty regulating our interstate relations. Isn't now the right moment to soberly and coolly correct this mistake?

In the coming age of a new world order the balancing of interests between our two great powers will remain as important as before. The existing dangers and anxieties will not disappear either. In this connection it is important to have a strong rear to rely on. For China, the Soviet Union is such a rear. And vice versa.

For understandable reasons both Beijing and Moscow are giving little thought to the prospects of foreign policy at the moment. Domestic problems are uppermost in our minds. Both the USSR and China are now undergoing deep changes which are painful. Both the USSR and China insist on the socialist choice and stress that the current changes do not mean giving up on socialism, but only modernizing and restructuring it.

In China, apart from policies in agriculture and foreign investment, the leadership proceeds with greater caution than we here. Grass-roots attempts at democratizing Chinese society have run into fierce opposition at the top. In politics and ideology the "four fundamental principles"—socialism, dictatorship by the proletariat, Marxism-Leninism and Mao's ideas, plus leadership by China's Communist Party—are still preponderant. Stability and order are the main things. All other things are secondary to them.

In the Soviet Union a different approach has been realized. Reforms have embraced all spheres of social life, but democratization of political relations, glasnost and freedom of the press have taken the lead.

Theoretically speaking, the Soviet scenario is more productive. But it is fraught with risks of explosions and retreats. Yet if we prove equal to the challenge, we'll break through into a new historic dimension.

The Chinese approach is more traditional: they keep talking of "further improvements." They are more down-to-earth, too: sausages without freedom are seen as more acceptable to the builders of socialism than freedom without sausages.

Generally speaking, the future of the greater part of humanity will depend on how the events in China and the USSR develop. Should the leaders of our two countries fully realize their responsibility, a comradely and informal dialogue about perestroika, reforms and democracy ought to become the conceptual and intellectual vector of the present visit.

If such an approach is taken, differences, debates, confrontation of opinions and evaluations are inevitable. But this is all right. It is much better than an ostensible harmony relying on evasion of the most difficult and topical problems. This is true, of course, if the sides agree on one thing: that the vital strategic interests of the Soviet and Chinese peoples, their progress and security depend on a steady and close cooperation between our two great powers.

### **Expanding Trade Relations with China Viewed**

91UF1005A Moscow PRAVDA in Russian 19 Jul 91  
First edition p 5

[Article by B. Averchenko, B. Barakhta, T. Yesilbayev, O. Losoto, and V. Lyubitskiy (Beijing-Moscow): "The Future Has Been Opened Up"]

[Text] The developing good-neighbor relationship, friendship, mutual understanding, and mutual cooperation between two great powers—the USSR and the PRC—are a tangible result of the summit meetings which took place in Beijing and Moscow after three decades of mutual alienation. This required both sides to display intelligence, responsibility, and persistence in surmounting negative experiences and prejudices. When M.S. Gorbachev and Deng Xiaoping shook hands, they effectively, as the Chinese leader put it so eloquently, “closed the door to the past and opened up the future.”

The two years since that time have been only a brief period in international life, but our interaction has gained so much momentum in all areas! We could say that the new Soviet-Chinese relationship is passing the test of time and growing warmer and more friendly with each month, developing on the basis of the principles of peaceful coexistence.

Now a new stage, a new page in the relationship between the great neighboring nations, is beginning. General Secretary Jiang Zemin of the CCP Central Committee recently made an official visit to Moscow. His productive talks with M.S. Gorbachev in the Kremlin proved that the interaction between our states and peoples had acquired powerful momentum.

“The friendship between the Chinese and Soviet people is rooted in the distant past,” Jiang Zemin said at the end of his visit. “The normal development of Chinese-Soviet relations is not only consistent with the common wishes and vital interests of the people of both countries, but will also promote peace and stability in Asia and the Pacific Ocean and aid in the improvement of international relations in general. Now the relations between our two countries have entered a new phase. Let us work together to preserve and strengthen the relations of good neighbors and friends between our countries in this century and the next, 21st century.”

The regular summit meetings between Soviet and Chinese leaders and the exchange of delegations in border regions are definitely promoting stepped-up cooperation in all areas.

Our tour of the Chinese provinces, our visits to industrial and agricultural enterprises, and our meetings with party and economic administrators allowed us to witness the results of Soviet-Chinese interaction. We must admit right away that there are problems, and substantial ones, in this area as well. Above all, according to our Chinese comrades, negotiations are often prolonged and absorb a great deal of time. It is understandably difficult to work with the non-convertible ruble.

Nevertheless, and this is the main thing, the train of cooperation has left the station where it was at a standstill for so long, and it is now picking up speed.

Perceptible results are primarily evident in the development of trade and economic ties. In this case, as the saying goes, numbers are more eloquent than words.

Judge for yourselves: Whereas the trade volume between our countries in 1983 was around half a billion rubles, in the past year it already exceeded the equivalent of three billion rubles in hard currency.

“Yes, trade relations between the Soviet Union and China are on the ascent, although this has been accompanied by certain difficulties,” USSR Trade Representative to the PRC Ye.P. Bavrinn commented in reference to the results. “Last year the trade volume was 26 percent greater than in 1989. Unfortunately, in shipments of Soviet goods to China, we are heavily in debt. Shipments were reduced when deliveries of wood, fertilizer, rolled metal, and some other raw materials to the PRC were cut. Nevertheless, deliveries of machines and complete sets of equipment to China are growing rapidly.”

“How have our Chinese partners reacted to this indebtedness?” we asked the trade representative.

“Of course, it is always unpleasant to be in debt, but our Chinese comrades sympathize with our national economic difficulties. China has continued to make all of its contracted deliveries.”

“What do we import from the PRC?”

“Mostly consumer goods and foods. They represent 64 percent of all Chinese exports to the USSR. They include woolen blankets, leather jackets, angora sweaters, footwear, athletic equipment, beer, canned goods, television sets, mini-tractors, tape recorders, personal computers—in short, 600 different items. Do not forget about the Chinese workers and peasants who are working in the Soviet Union. Our ships are being repaired in Shanghai, and soon Chinese companies will organize ship repairs in Irtysh.”

In our travels in China we heard about several problems in our trade relations with our neighbors. In particular, our Chinese partners said that Soviet enterprises violate delivery schedules. Complete sets of equipment for flax combines and a wood hydrolysis plant, for example, were not delivered on schedule.

As usual, our friends are not complaining just for the sake of criticism—they have a sincere interest in mutual progress. We remember what Chief Engineer Reng Huangzhong of the Yuan Magnetolectric Corporation Limited told us when we visited that company in Shenzheng about the trip he took last year to Uzbekistan, where he assisted in the installation of a modern technological line at a chemical plant.

“Frankly,” he told us at the end of our conversation, “trade relations with our Soviet partners are still being complicated by annoying obstacles. First of all, the currency exchange system is too complicated. Second, negotiations take too much time and energy. We sometimes get the impression that the plants representing our immediate partners simply do not have the necessary authority and, consequently, autonomy.”

There are problems on the Chinese side as well. In some cases they stem from the poor quality of goods.

Of course, there are still unutilized reserves and potential in bilateral intergovernmental trade. After all, in 1990 the total foreign trade volume of the PRC was 115 billion dollars. It is easy to calculate how small our country's share of this balance is.

Both sides, however, are making the necessary effort to continue developing bilateral trade and economic relations. The Beijing press recently published data on Soviet-Chinese trade in the last months of this year. The figures displayed a rise of more than 17 percent.

"The expansion of border trade will be an important factor," Ye. Bavrin said. "Around 2,000 enterprises and companies in the PRC have established direct contact with plants and factories in the USSR. Unfortunately, we were 130 million Swiss francs in debt in border trade in 1990. This occurred primarily because many of our plants, factories, and organizations signed contracts before they had licenses for the export of certain products. Now I can say that the debt has already been cleared.

Our latter-day businessmen began operating in the Chinese market without knowing anything about market conditions, prices, demand, or the strict laws of competition," the trade representative went on to say. "Would it be so difficult to drop into the trade representation in Beijing for some advice? After all, we have qualified personnel working there."

What do businessmen in the PRC think of the border trade?

The large Nande economic association is the recognized leader in trade with the Soviet Far East. Before its director, Chen Changan, answered our questions, he took us to see an exhibit of the goods the association can offer its Soviet partners. The profusion of goods exhibited in the huge hall made our heads spin. There were videocassette recorders, television sets, cosmetics, footwear, ceramic tiles, bathroom fixtures, wallpaper, canned goods—it would be difficult to list all of the items offered for sale by Nande.

"We are willing to deliver all of this to Soviet partners on a barter basis as well as for currency," the director said. "In border trade, after all, we often employ direct exchange. The experience of Heilongjiang Province is a good example of the advantages of this kind of trade. Ties were established with Soviet neighbors in September 1987, when watermelons from Heihe, a city across the Amur from Blagoveshchensk, were delivered to Amur Oblast in exchange for carbamide. The summit meeting in Beijing was followed by something we could frankly describe as a great boom. The Nande association sent more than 53,000 sets of children's clothing across the Amur in a single year. Then it was the turn of cigarettes, fruit, leather jackets, queen bee jelly tonic, footwear, and jeans. In turn, our Soviet partners ship us

chemical fertilizer, cement, rough logs, and metal by motorboat or send them to us over the ice in winter."

We were told that the Heilongjiang government recently decided to make the province freely accessible to the Soviet Union and turn it into something like a window to all of China for the USSR. In recent years more than 100 agencies representing other parts of the PRC have been opened here and have assigned the highest priority to trade with their Soviet neighbors.

Our Central Asian republics have been increasingly active in the border trade. This was promoted by an important event—the completion of the Lanzhou-Xinjiang Railroad, which is also called the Friendship Railroad. The first locomotive whistle was heard in Alashankou on 12 September last year. The Soviet and Chinese railroads meet here, and the Chinese press has remarked that Alashankou is already turning into a center of the local border trade because a highway linking our states also runs through it.

The formation of joint ventures was accelerated by the summit meetings. These ventures—small and medium-sized enterprises—already number more than 160. An agreement was recently signed in Beijing on the opening of the large Sument enterprise, a Soviet-Chinese joint venture, with combined capital of 155 million yuan. The factory and plant in Baotou in Inner Mongolia will be responsible for the complete production cycle, beginning with the cultivation of flax and ending with the manufacture of the finished product—linen fabric for export.

Cooperation in science and technology is an important aspect of our bilateral ties. Dozens of examples of this are listed in our notebooks. Contacts between scientists have been established in virtually all areas of the scientific-technical revolution. Seismologists from the Soviet Union and China have been working together for more than a year. Their joint work has produced more accurate forecasts of natural disasters.

The successes of non-traditional Chinese medicine are well known. Soviet physicians are being trained at the Folk Medicine Institute in Beijing, and Chinese specialists are practicing medicine in Moscow.

Cooperation is being organized in the technical equipping of modern airliners, the struggle against environmental pollution, and the development of modern industrial equipment.

A political mechanism of interaction, envisaging regular exchanges and contacts on various levels, has been established and is already functioning successfully. Deputies from the USSR Supreme Soviet are frequent guests in the PRC. There have been interesting discussions of the future of socialism and the ways of renewing and improving it.

Relations between the two communist parties have been completely normalized. The stronger ties between the

CPSU and CCP are playing an important role in the total Soviet-Chinese relationship.

The last two years have confirmed the value of the exchange of information, opinions, and current experience in party work. Inter-party contacts, as the documents of the Soviet-Chinese summit meeting in Moscow said, will continue to conform to the principles of autonomy, complete equality, and mutual respect.

The Chinese communists have an efficient system for the training of party personnel in party schools. A delegation of rectors from our party schools recently came to China to study this experience. In the PRC the Communist Party is an effective and authoritative guiding force and genuine vanguard of the entire society. This is partly due to the highly trained and qualified group of party personnel.

We had many meetings with them, from a CCP Central Committee secretary to the secretary of a plant party cell. We must admit that the respect and authority these people enjoy are genuine. All of them are highly knowledgeable in their fields and highly professional in their discussions of political and production issues. As a rule, the majority are graduates of party schools on different levels.

Contacts have also been established between party press organs. Our colleagues from RENMIN RIBAO and the editorial offices of YUZHNYAYA GAZETA told us about this. Permanent news bureaus have been opened: a PRAVDA bureau in Beijing and a RENMIN RIBAO bureau in Moscow. Delegations from KOMMUNIST and from Politizdat have visited China in recent months.

All of this represents one of the links of cooperation in the ideological sphere. A delegation from the Marxism-Leninism Institute, which will soon be succeeded by the ITIS—the CPSU Central Committee's Institute of Socialist Theory and History—traveled to Beijing recently. Our Chinese comrades attached great importance to this visit.

The Chinese Communist Party places a high value on the Leninist heritage and studies it carefully. The publication of a Chinese-language edition of a complete set of V.I. Lenin's works in 60 volumes attests to this. This was an important event in the ideological life of the Chinese communists. Marxist-Leninist propaganda is an important pursuit in China. We watched Chinese television almost every evening, and a program explaining the ideas of Marx, Engels, or Lenin was always on some channel.

RENMIN RIBAO prints long theoretical articles each week. They explain the correct application of the premises of Marxism-Leninism to the construction of the distinctly Chinese variety of socialism.

We must admit that the propaganda is not presented in dogmatic terms or in the form of dry and monotonous "ideological cud." Intriguing ideas abound. The recently

published "Illustrated Biography of V.I. Lenin" was a labor of love. The same book includes a special section on "Lenin and China." In this way, the Chinese communists demonstrate the vitality of Lenin's ideas and their relevance to the construction of a new society in the PRC.

Cultural and humanitarian exchange has been successful. Dozens of Soviet students are attending Beijing University, the Foreign Language Institute, Tianjin University, and VUZ's in other cities. Many are specialists, for example, from the Far East Institute of the USSR Academy of Sciences.

At the end of last year a group of Chinese instructors and specialists from the Pushkin Russian Language Institute compiled a Russian language textbook for the students of pedagogical VUZ's. It is significant that the interest in studying the Russian language has been revived in China. As for Russian and Soviet literature, it has always been popular here and still is.

When we went to the central bookstore in the Wangfujing shopping mall in Beijing, we saw many customers in the Russian and Soviet literature department.

"It is always like this here," the clerk told us when he saw how surprised we were. "All of your new books are translated into Chinese literally within a couple of months. First they are printed in the Soviet literature magazine and then they are published as separate books. The works of Aytmatov, Vasilyev, and Astafyev are extremely popular here. They are especially popular with the young Chinese." We are also making up for lost time in the Soviet Union by publishing sets of the Chinese classics.

In China we were interested to learn that our films are quite popular. There are frequent "screenings" of "The Young Guard," "Evenings Here Are Quiet," "Station for Two," and "War and Peace" on television. Prominent Soviet directors and actors have come to Beijing in the past and are coming here now.

The popularity of Russian and Soviet songs is unquestionable. General Secretary Jiang Zemin of the CCP Central Committee sings them with the greatest pleasure. People in the PRC particularly love "Katyusha." As soon as they hear you are from the Soviet Union, they begin singing "The apple and pear trees were in bloom..."—in Russian as well as in Chinese.

Back in the 1950s Soviet ballet masters taught the fundamentals of their art to Chinese ballerinas and dancers. Now these ties are being restored. Local comrades informed us that the renowned ballerina Galina Ulanova had come to the international arts festival in Shenzheng. She is a well-known and fondly remembered figure in the PRC. She toured China twice. This was more than 30 years ago. Ai Qing, a famous poet of that time, wrote a poem about her, describing her dancing as "airy as a dream, light as a breeze." In the 1950s the Chinese compared the great Soviet ballerina to the dove

of peace. In spite of the many years that have gone by, the star of our ballet is still famous in China.

The theater in the PRC is completely different from our own. Soviet audiences already saw this when the touring company from the Beijing Opera was in Moscow in 1987. Now Chinese performances of Soviet and foreign plays have been seen in the capital and other cities. Mark Zakharov staged "Red Horses in the Blue Grass" here.

The Soviet and Chinese people appreciate the current development of bilateral relations. They are pleased with the new phase in the interaction between the Soviet Union and the People's Republic of China and between the CPSU and CCP and in the traditional friendship between the people of the two countries.

### **Chinese Trade Union Delegation Visits Kuzbass**

91UF1030A Moscow TRUD in Russian 30 Jul 91 p 1

[Article by Ye. Peretolchina: "For Starters—Sugar"]

[Text]A delegation of the Heilongjiang Trade Union Federation of China, headed by Deputy Chairman Tang Jingwang, arrived in Kuzbass. The purpose of this visit was the establishment of business contacts with trade union organizations of Kuzbass and the signing of mutually advantageous economic agreements.

Today the Chinese trade unions are actively engaged in commercial activities. The state has granted them certain preferential terms. That is why around ten organizations, including the "Honda" firm, one of the largest corporations, belong to the center for development of industry created by the trade unions. Stores, small firms, construction organizations, hotels, and restaurants—that is the field of activity of the Chinese trade unions.

What do they offer us? There is an oral agreement to deliver sugar to Kuzbass, it is merely necessary to sign the agreement. This, however, is just the beginning. Agreements for cooperation with individual enterprises are also not excluded.

### **Passport Shortage Delays Cross-Border Trade With China**

91UF1030B Moscow ROSSIYSKAYA GAZETA  
in Russian 30 Jul 91 p 3

[Article: "Hammer and Sickle Passports Questioned on Border"]

[Text]There is a crisis along this border which extends over thousands of kilometers. Thank God it is a peaceful one. As of 13 July, cargo movement through customs offices of Blagoveshchensk, Poyarkovo, and other populated points of the Far East border region have ceased. Rows of motor vehicles with cargoes ready for shipment to China on the basis of contracts and agreements that were concluded stand on the Soviet side. Our entrepreneurs have cancelled their business trips, even though the reverse conveyer from beyond the Amur, continues functioning without interruption as it has for some years. What is the matter?

Today there is a shortage of a lot of things, including passports of the domestic type to supply all the citizens. Those with the new type of passport are travelling to friendly China from Moscow and other centers of the Country of the Soviets, while the periphery, which has direct contact with the other side, lives with old passports. How long the shortage will last no one appears to know—neither in the local soviets, not, it appears, in the USSR Ministry of Foreign Affairs, which is dragging out the exchange. The Chinese border service, with all respect for the Soviet side, cannot comprehend why people with different passports are travelling from this fraternal country.

"The complaints are justified," said Vladimir Smorodin, Chief of the Visa and Registration Department of the Amur Administration of Internal Affairs. "Today we are travelling to the other side not even with two but with three varieties since tourists going to China for one day, cross the border with the ordinary 'domestic' passport. How many of them will there be tomorrow? In pressing cases we are sending people with inserts and service passports, which, by the way, do work. Urgent inquiries were sent to the USSR Council of Ministers and the Union Ministry of Foreign Affairs but there is still no reply while the situation remains critical."

How will Moscow respond? After all the situation on the Far East boundary may be repeated along the other state boundaries of the Union. We have many of those boundaries...



### Foundation, Prospects for Soviet-Indian Relations Examined

91UF1068A Moscow PRAVDA in Russian 9 Aug 91 p 5

[Interview with Indian diplomat T.N. Kaul and Soviet scientist A.A. Kutsenkov conducted by correspondent V. Baykov: "The World Is Experiencing Transitional Times"]

[Text] Delhi—The Friendship Treaty which has been operating successfully for two decades now, and the Delhi Declaration signed five years ago are of particular significance in the history of Soviet-Indian relations. This was the subject of our discussion with prominent Indian public figure T.N. Kaul, who came to Moscow on a diplomatic assignment back in 1947 and who subsequently twice worked for lengthy periods in the Soviet Union as Indian ambassador, and Soviet scientist A.A. Kutsenkov, head of the Indian Studies Center at the USSR Academy of Sciences Oriental Studies Institute—both participants in the international conference in Delhi on the theme "Soviet-Indian Relations: A View Down the Ages."

[Baykov] What prerequisites preceded the conclusion in 1971 of the Friendship Treaty between the Soviet Union and India?

[T.N. Kaul] The idea of a treaty had been in the air since the start of the 1950's. Nonetheless, it seems to me, the conditions for such a step were not ripe at that time, and we did not have complete mutual understanding. "Each vegetable in its own time," as the Russian saying goes. Only following Jawaharlal Nehru's visit to the Soviet Union in 1955 did the new period in relations between our countries begin.

When Indira Gandhi became prime minister of India, I had been acting secretary for foreign affairs for approximately two years. I participated in negotiations with the USSR Foreign Ministry and in discussion of the draft of the treaty. It had been approved in principle. It remained merely to decide the question of its conclusion. It was at this time (we were into 1971) that the liberation struggle in East Pakistan was gathering momentum. The situation on the subcontinent was complicated on account of the impossibility of a political solution of the problem by way of direct negotiations between the leader of the liberation movement, Mujibur Rahman, and the Pakistani Government. We concluded that the Soviet Union and India should take joint steps to maintain the peace and prevent war in the region. The treaty had a stabilizing impact on the situation. The growth of the conflict was averted largely thanks to the latter.

I recall the following detail: The day following the signing of the treaty I, as Indian secretary for foreign affairs, summoned the ambassadors of Great Britain, France, and the United States and told them that the treaty was not aimed against third countries. "But how will we know this," was a question which followed. "Sign

a similar treaty with us," was my reply, and they fell silent since they were not prepared to sign such a document.

I would recall primarily certain most important provisions of this treaty. The document says that in the event of this conflict or the other arising, the parties will immediately enter into mutual consultations and that neither party will permit hostility in respect of the other, and a number of articles of the treaty determine the technical, economic, and cultural cooperation of our countries. This is an important instrument of permanent significance for today and for the future.

The agreement in Simla in 1972 between India and Pakistan, which put an end to the armed conflict between these countries, was a direct consequence of this treaty. And the essence thereof was a provision concerning the settlement of mutual conflicts peacefully on the basis of bilateral negotiations, without outside interference.

[A. Kutsenkov] I would like to add the following to what Mr Kaul has said. Life itself had led our countries to conclude the treaty. The foundations of Soviet-Indian relations had been laid and extensive cooperation in various spheres had begun in the 1950's-1960's. Time had shown the viability of the principles on which it was built. In a word, the treaty was signed on very firm and approved soil.

I would like to dwell particularly on Article 9 of the treaty. It elevates relations between the states to the level of high trust. In the practice of contemporary international relations such trust should be an underlying principle since the entire system of the present-day world and its security cannot be built without it. Trust is a subtle thing. As in relations between people, so between states also, it requires constant confirmation from both sides. It is important to note that the principle of trust set forth in Article 9 has never been questioned by either party. Constant mutual consultations, regardless of the kind of leadership in this period or the other in the Soviet Union or India, a policy of trust and the candor of the discussion of problems continue to this day.

[Baykov] How do you evaluate the Delhi Declaration?

[T.N. Kaul] This document combined the wisdom of India and the philosophy of nonviolence of Mahatma Gandhi with Gorbachev's vision of international relations in the space and nuclear age. In this context it establishes signposts for bilateral and international relations. The declaration emphasizes, and this is its main essence, that we will aspire to a world without war and violence and without nuclear weapons. In signing the Delhi Declaration M. Gorbachev and R. Gandhi raised Indo-Soviet relations to a qualitatively new level, pre-determining their long-term development for the good both of the peoples of the two countries and for the world.

[A. Kutsenkov] The Delhi Declaration was a kind of revolution in the philosophy of international relations

and vision of the world by states and peoples. That the declaration makes the basis of international relations the principles of morality, views mankind as a single entity, and rejects all types of weapons of mass destruction—this is the path toward the future world.

[T.N. Kaul] I would like to support that. Yes, the declaration provides a plan, an outline of the future arrangement of the world and international relations.

[A. Kutsenkov] I believe that there is altogether no alternative to the concept of the world set forth in the declaration, for only by having built the world in accordance with these principles can mankind fully rid itself of the threat of self-destruction and remove the threats of ecological catastrophe, new dangerous diseases, and so forth, which have stolen up on it on all sides. It will not, in addition, be able to solve the problems of the "third world"—poverty, illiteracy, and disease. And the more supporters are found for the philosophy of the Delhi Declaration and the sooner its principles are embodied in the rules of international law, the sooner the peoples' cherished hopes for a future world without wars and violence will be realized.

[T.N. Kaul] Yes, the Delhi Declaration expresses the hopes and aspirations not only of our two great peoples and countries but also of all mankind. The future of the world will depend on the embodiment of the principles which it contains.

[Baykov] The time has come in this connection, I believe, to talk about the present state of Soviet-Indian relations. How do you evaluate them?

[T.N. Kaul] The present always ensues from the past. Our countries have strong ties rooted in the depths of the ages. Since the time of Jawaharlal Nehru's visit to the Soviet Union in 1955 and the return visit of N. Khrushchev and N. Bulganin to India, our relations have developed unswervingly in line of ascent. The reason is contained in the fact that the interests of our countries are not mutually contradictory. At the same time, however, we have many goals and interests in common also and have been able to achieve close cooperation in all spheres of activity thanks to the concurrence and affinity of policy, goals, and ideals.

[A. Kutsenkov] I would characterize Soviet-Indian relations as stable, friendly, and confiding. But I would like to see them more dynamic. Unfortunately they have of late lost their dynamics to a certain extent on account of a whole number of factors, entirely objective, which have been caused not by our loss of interest in India but by many factors of our domestic life and our difficulties. Naturally this is exerting a negative influence on certain spheres of our relations. But I believe that all these questions are solvable. I would like the figures who plan our foreign policy and determine it to always understand the importance and significance of our friendship with India both for the Soviet Union and for the world.

[T.N. Kaul] It should be remembered that the Soviet Union is not only a European but also a Eurasian power. Sixty percent of its territory is in Asia. Your country is a bridge, as it were, between the Pacific and the Atlantic, between Asia and Europe. Just as India is a bridge between Southeast and Western Asia. Our countries together could perform a significant role in the rapprochement and development of mutual understanding and friendship between East and West, between the whole world. It is essential to develop in every possible way M. Gorbachev's ideas on the Asia-Pacific region lest the peoples of Asia and Africa get the impression that your country has of late concentrated its attention mainly on relations with the United States and that you are dismissive of your own interests in the Asia-Pacific region. I believe that Indo-Soviet relations will play the part of catalyst in the development of friendship between the Soviet Union, India, and China and, I hope, Japan and other countries. We believe in the concept of one world. This is the philosophy of Rabindranath Tagore, Mahatma Gandhi, and Jawaharlal Nehru. This is our philosophy. I believe that the philosophy of new political thinking in the Soviet Union coincides precisely with this direction.

[Baykov] What, in your view, are the prospects of relations between our countries?

[T.N. Kaul] Your country has great cultural and spiritual traditions—as does my homeland. We could strengthen the deep roots of our cultural proximity and cooperate with one another, as with other countries also—China, for example—or countries of Europe, Asia, and America, for that matter. I hope our contacts will continue to develop.

There are many similar problems: You have a nationality problem; so do we. The difficult relations between the Union and the republics in your country are similar to our problems of the center's relations with the states. We could borrow experience and learn from one another in the solution of such problems.

Take, for example, the mixed economy which is developing successfully in our country. We were not dogmatic people and borrowed that which is really good in the capitalist system: the most modern technology, management, and so forth. I believe you could learn some things from us here—in the field of management, for example. As Manu Shah, chairman of the Indo-Soviet Trade and Industry Chamber, told me, he is prepared to train 5,000 young people from the Union in managers courses.

Or take agriculture. The storage, processing, packaging, and shipment of agricultural produce is inadequately organized in your country. And despite the vast pool of machinery, you lose up to 30 percent of the harvest. Why? There could be an improvement here. We lose from 10 to 12 percent of the harvest. Not a very good indicator either. But considerably better than in your country, all the same.

You are currently experiencing a shortage of consumer goods. We could supply them in great quantities, of an excellent quality, and at a considerably lower price than that at which they are sold to you by Western countries, and, what is more, an agreement on ruble-rupee payments in trade has been concluded between us. I spoke about this to Ryzhkov in 1989. "Yes, you are right," he said, "but will you give us credit?" This is the problem. You always need credit.

Further, we could create joint ventures and cooperate in the manufacture of various products. But for this you will have to break with your sluggish bureaucratic machinery, when an unjustifiably long time is spent on deciding this question or the other.

[A. Kutsenkov] I have met with representatives of Indian business here in India. They are prepared to cooperate with us and are prepared to participate in the development of our enterprise and the saturation of our market. Indian businessmen are displaying tremendous interest in new forms of cooperation. But unless we display concern for ourselves and quickly solve questions which are already urgent in our relations with India (the problem of correlation of the rupee and ruble exchange rate, for instance), we will achieve nothing.

[T.N. Kaul] In a word, there is still tremendous potential for our cooperation. We must expand bilateral Indo-Soviet relations, strengthen our friendship, and view it as an integral part of the broader concept of friendship and cooperation between all countries.

#### **Israeli Consul General in Moscow on Immigration, Ties with USSR**

91UF1067A Moscow *OGONEK* in Russian No 22,  
25 May-01 Jun 91 p 6

[Interview with Israeli Consul General Arye Levin]

[Text] [Interviewer] Mr. Consul General, everyone knows that almost 45 years of destiny links our countries, if only in that tens of thousands of former Soviet citizens have become and are becoming Israelis. The flow of Jews emigrating from the USSR to Israel first strengthens, then weakens, but does not stop. How has the war in the Persian Gulf affected this process?

[Levin] Of course, a sharp decline was noted in the first days of the air attacks on Iraq by the coalition forces. Evidently, people who had already packed their suitcases decided to wait, to see how this conflict would end for Israel. When the war began coming to an end, repatriation started to increase. It now amounts to roughly 25,000 people a month.

[Interviewer] So, the war gave a respite for your governmental structures which deal with receiving people?

[Levin] A respite? The war entailed great expenses, people stopped working, industry decreased its production rates... No, the point lies elsewhere. Even a year and

a half ago, rumors began to spread in the USSR that we allegedly intended to force the Arabs to abandon the West Bank and to settle repatriates from the Soviet Union in this area. I think this was intentional disinformation. We do not, did not, and cannot have any intentions of evacuating the Arabs. We are also able to accept a larger number of people. Moreover, people are coming to us entirely aware, knowing the true state of affairs in Israel.

[Interviewer] Nonetheless, what really does await a repatriate from the USSR, who has crossed Israel's border and is at Ben-Gurion Airport for the very first time?

[Levin] Our country goes to meet him. This means that for the first year the government provides housing, helps him master the language, and issues monetary grants. Israel does everything it can, so that within a year a newcomer can be maximally integrated into the new system, unaccustomed to him.

[Interviewer] After the war with Iraq, our press was filled with reports that repatriates hand from the USSR were taking jobs that Arabs had recently held.

[Levin] The Arabs were not dismissed in order to give their jobs to newcomers. However, the political situation in past months has changed. Many Arabs are striking and participating in the Intifada. Therefore, naturally, some of their jobs are becoming free. Let me emphasize again; the Arabs are not being specially dismissed, in order to "clear a place" for Soviet Jews. Besides this, the Arabs in our country are employed mainly in construction or in factories. Such types of activity are not always to the liking of former Soviet citizens and do not especially attract them. On the other hand, we are also in no condition for the time being to provide everyone with work in a specialty, learned in the USSR. What can we do, if there are thousands of doctors, teachers, and engineers among the arrivals? We are still faced with creating an infrastructure, in which each could find a job to his liking. Meanwhile, some have to wash dishes in the pubs.

[Interviewer] What do you personally, Mr. Consul General, see as the goal of your efforts, and what results do you expect from the activity of your consulate in the USSR?

[Levin] I admit, I expected this question... There are several goals. The first is to change the Soviet people's concept of Israel. After all, for many years, ever since our countries severed diplomatic relations, a hostile image in the form of Israel was created in the USSR. I am certain that this has never conformed to the facts of Israeli life. With all my efforts, I would like to dispel this myth. The second goal is to achieve the restoration of diplomatic relations at the embassy level, which, of course, depends not only on me. I would note that contacts here, in Moscow, have sometimes cost me great efforts: Several leaders did not want to receive me or meet with me. So, the problem of normalizing and setting our relations in order remains topical to this day. I am sure that they will

approach the norm in time: In our modern world it is impossible to live with illusions and prejudices... And finally, the third goal is to promote the repatriation of Soviet Jews to Israel.

[Interviewer] Judging by your good Russian, were you born in Russia?

[Levin] Not quite. My parents came to Israel from the Ukraine. Many of us spoke Russian at home. My father often told me about his life in the USSR. He loved this country and knew it well, having traveled it far and wide. I had never lived in the Soviet Union and was not educated here. Nonetheless, when I stepped on this land for the first time, I experienced a strong feeling: I had returned to the place where my parents had lived...

The Russian culture has always been popular in Israel. Its roots are alive. Many books have been translated into Hebrew. Our children are fairly familiar with the Russian classics. We believe that socialism has been implemented in Israel. Right now, a genuine human bridge has been erected between our countries. It seems, your society should not think that those people, who have traveled to us to live permanently, are lost to the USSR. Moreover, this circumstance should be used, especially when cooperation begins to develop.

[Interviewer] How successfully, in your opinion, are contacts between Israel and the Soviet Union expanding of late?

[Levin] Last year an agreement between our chambers of commerce was signed. Some rather large projects have arisen, for instance, on the joint creation of an airliner by Israel, the USSR, and the U.S. Development work is being done by our academies of sciences. We are already buying not only raw materials, but also various products in the USSR. There is a company which is supplying prefabricated housing for Israel: We need to build

500,000 apartments in a short period of time. A proposal has been received from the Soviet side to build a railroad in Israel from Tel Aviv to the Red Sea, and it is possible that this project will be implemented. It is in our common interests to develop agricultural production in Uzbekistan using Israeli technologies—with minimal water consumption, drip irrigation, and the root-feeding of plants.

Understandably, today many countries want to develop economic cooperation with the USSR. However, Israel has a great advantage over other states in this regard, because we know the language of your country, not just the literary, but also the technical language: Our specialists, emigrants from the Soviet Union, are familiar with your economy from their own experience. This brings us closer, does it not?

[Interviewer] Consequently, you view the future with optimism?

[Levin] In general yes, but a great deal depends on stability in your country and on the political situation in ours. And on the world situation, which also influences our countries. The main event of recent times was the war in the Persian Gulf. Nonetheless, it seems to me that the results of this war on the whole have influenced Israel positively. This was yet another lesson, a serious test for Israelis. The people in their majority supported the government's policy, despite the fact that there were those who voiced a different opinion: "Join the war quickly, and answer blow with blow!" Good sense prevailed. This was a war which we did not need and into which we did not go, even though there was a real threat. Precisely for this reason, I view the results of the conflict in the gulf as positive for Israel. The postwar situation in the Near East gives grounds for new hopes for cooperation with the Arab countries within the framework of qualitatively different relations.

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